

ORIGINAL

NEW APPLICATION



0000124651

BEFORE THE ARIZONA CORPORATION

RECEIVED

COMMISSIONERS

GARY PIERCE, CHAIRMAN

BOB STUMP

SANDRA D. KENNEDY

PAUL NEWMAN

BRENDA BURNS

2011 APR 29 PM 3:42

ARIZONA CORPORATION
DOCKET CONTROL

E-01787A-11-0186

IN THE MATTER OF THE APPLICATION
OF NAVOPACHE ELECTRIC
COOPERATIVE, INC., AN ELECTRIC
COOPERATIVE NONPROFIT
MEMBERSHIP CORPORATION, FOR A
DETERMINATION OF THE FAIR VALUE
OF ITS PROPERTY FOR RATEMAKING
PURPOSES, TO FIX A JUST AND
REASONABLE RETURN THEREON AND
TO APPROVE RATES DESIGNED TO
DEVELOP SUCH RETURN.

DOCKET NO. E-01787A-11-

APPLICATION Arizona Corporation Commission
DOCKETED

APR 29 2011

DOCKETED BY

MP-

Navopache Electric Cooperative, Inc. ("NEC" or "Cooperative") by and
through undersigned counsel, and pursuant to A.R.S. §§ 40-250 -251 and A.A.C. R14-2-
103(B)(3) hereby makes application for a determination by the Arizona Corporation
Commission ("Commission") of the fair value of its property for ratemaking purposes, to fix
a just and reasonable return thereon and to approve rates, charges and tariffs designed to
develop such return. In support of its Application, NEC states as follows:

1. NEC is an Arizona non-profit member-owned corporation acting as a
public service corporation holding a certificate of convenience and necessity from the
Commission pursuant to A.R.S. § 40-281 *et. seq.* to provide distribution electric service to
areas within Navopache, Greenlee, and Gila Counties, Arizona and Catron County, New
Mexico. As of April 31, 2010, NEC served approximately 32,750 customers. All of NEC's
customers residing within its service area are eligible to be members of the Cooperative and

1 vote for its Board of Directors. Attached to this Application is a Certificate of Good Standing
2 from the Commission as **Attachment 1.**

3 2. NEC's business office is located at 1878 West White Mountain Blvd.,
4 Pinetop-Lakeside, Arizona 85929, its telephone number is (928) 368-5118; and its facsimile
5 number is (928) 368-6697.

6 3. The Cooperative's primary business contact is Mr. David Plumb, its
7 Chief Executive Officer. The persons responsible for directing and overseeing this
8 Application are Mr. Plumb and Mr. David W. Hedrick of C.H. Guernsey & Company, its rate
9 consultant. Mr. Plumb may be contacted at NEC's business office 1878 West White
10 Mountain Blvd., Pinetop-Lakeside, Arizona 85929, phone number (928) 368-5118 and email
11 address dplumb@navopache.org. Mr. Hedrick may be contacted at 5555 North Grand
12 Boulevard, Oklahoma City, Oklahoma 73112-5507, phone number (405) 416-8268, facsimile
13 number (405) 416-8111, and email address david.hedrick@chguernsey.com.

14 4. **All communications concerning this Application, including, but not**
15 **limited to discovery and data requests should be directed to Michael A. Curtis, William**
16 **P. Sullivan and Melissa A. Parham of Curtis, Goodwin, Sullivan, Udall & Schwab,**
17 **P.L.C., 501 East Thomas Road, Phoenix, Arizona 85012-3205 phone (602) 393-1700,**
18 **facsimile (602) 393-1703 and email at mcurtis401@aol.com, wsullivan@cgsuslaw.com**
19 **and mparham@cgsuslaw.com with copies to Mr. Plumb and Mr. Hedrick.**

20 5. NEC's present rates and charges, including standard offer rate schedules
21 Nos. 1 through 8, direct access tariff schedules Nos. 1A through 6A, and NEC's Policy
22 Manual were approved by Commission Decision No. 64293, dated December 28, 2001 based
23 upon a test year ending October 31, 1999. Those rates, charges and policies were effective
24 for service provided on and after January 1, 2002. The Company's original cost rate base
25 ("OCRB") and fair value rate base ("FVRB") were established to be \$37,360,051.00. NEC's

1 base rate for purchased power was set at \$0.04260 per kWh sold and is subject to Purchased
2 Power Cost Adjustments ("PPCA") authorized by Decision No. 50266.

3 6. NEC has duly submitted a form of Cogeneration Agreement - Above 100
4 kW, pursuant to Decision No. 56271, dated December 15, 1988; Guidelines for Electric
5 Curtailment, pursuant to Decision No. 67224, dated December 7, 2004; a Renewable Energy
6 Standard Tariff, a Voluntary Renewable Energy Program and Renewable Energy Customer
7 Self-Directed Tariff (NEC Schedules No. 9, No. 10 and No. 11) as part of NEC's Renewable
8 Energy Standard Plan, last approved pursuant to Decision No. 71408, dated December 8,
9 2009; a Net Metering Service Tariff (Schedule NMS), pursuant to Commission Decision No.
10 71635, dated April 14, 2010; and an amendment to its delinquent collection procedures as set
11 forth in Section 2.82 of NEC's Policy Manual, pursuant to Decision No. 68492, dated
12 February 23, 2006.

13 7. As set forth in the Direct Testimony of David Plumb, attached hereto as
14 **Attachment 2**, NEC experienced negative operating margins during the twelve month period
15 ending April 30, 2010 and is seeking a \$3,413,663 increase in adjusted test year revenues
16 from operations (or a 7.16% increase) to enable it to meet operating expenses, repay its
17 financing and make betterments to its system in order to maintain adequate and reliable
18 electric service within its certificated area.

19 8. NEC's adjusted OCRB and FVRB for the test year ending April 30, 2010
20 is \$75,213,519; its adjusted operating margin (loss) is (\$374,909) on adjusted test year
21 revenues of \$47,661,234 and its return on its adjusted FVRB is 2.92%. The requested increase
22 of \$3,413,663 in adjusted test year operating revenues will provide the Cooperative a return
23 on its FVRB of 7.46%, an operating margin of \$3,038,754, an Operating Times Interest
24 Earned Ratio ("TIER") of 2.23, a Net TIER, excluding Capital Credits of 2.25, and a debt
25 service coverage ("DSC") of 1.86.

1 9. Also attached hereto in support of this Application as required by AAC
2 R14-2-103B3 are:

3 A. Rural Utility Service ("RUS") Form 7 (pages 1 – 7) for the years ended
4 December 31, 2009 and December 31, 2010, together with the RUS Form 7 Operating
5 Statement and Balance Sheet (year to date) through April 2009 and April 2010 as
6 **Attachment 3** to comply with AAC R14-2-103B.3.a;

7 B. NEC's most recent Audit Report as **Attachment 4** to comply with AAC
8 R14-2-103B.3.a;

9 C. A bill count for each rate schedule in the format of Schedule H-5 as
10 **Attachment 5** to comply with AAC R14-2-103B.3.c;

11 D. A schedule comparing revenues by customer classification for the test
12 year, at present and proposed rates, in the format of Schedule H-1 as **Attachment 6** to
13 comply with AAC R14-2-103B.3.d;

14 E. A schedule listing long-term debt obligations as **Attachment 7** to
15 comply with AAC R14-2-103B.3.e; and

16 F. A schedule of TIER for each month of the test year, the prior year, and
17 on projected year as **Attachment 8** to comply with AAC R14-2-103B.3.f.

18 10. Also attached to this Application for the assistance of Staff are the
19 following:

20 A. An Income Statement reflecting proposed adjustments in the format of
21 Schedule C-1 as **Attachment 9**;

22 B. A Summary of the adjustments set forth on Attachment C-1 as
23 **Attachment 10**;

24 C. A Summary of Original Cost Rate Base Elements in the format of
25 Schedule B-1 as **Attachment 11**;

1 D. A Summary of Projected Construction Requirements (Growth Rate in
2 Net Plant) as **Attachment 12**;

3 E. Calculation of Adjusted Test Year Revenue Arizona and New Mexico as
4 **Attachment 13**;

5 F. Calculation of Base Power Cost and Proposed PCA Revenue as
6 **Attachment 14**; and

7 G. Proposed Other Revenue as **Attachment 15**.

8 11. NEC's proposed tariffs and miscellaneous charges as **Attachment 16**.

9 WHEREFORE, Navopache Electric Cooperative, Inc. respectfully requests the
10 Commission:

11 A. Accept this Application as sufficient in accordance with A.A.C. R14-2-
12 103.B.7;

13 B. Enter a procedural order establishing the notice requirements, setting this
14 matter for hearing and setting forth the procedure for processing this
15 Application;

16 C. Determine the fair value of NEC's utility plant and property for
17 ratemaking purposes, fix a just and reasonable return thereon and
18 establish rates and charges to develop such return, including the tariffs
19 set forth in **Attachment 16** hereto; and

20 D. Grant such other and further relief as the Commission deems appropriate.
21
22
23
24
25

1 RESPECTFULLY SUBMITTED this 29th day of April, 2011.

2 CURTIS, GOODWIN, SULLIVAN,
3 UDALL & SCHWAB, P.L.C.

4
5 By: 

6 Michael A. Curtis

7 William P. Sullivan

8 Melissa A. Parham

9 501 East Thomas Road


10 Phoenix, Arizona 85012-3205

11 Attorneys for Navopache Electric
12 Cooperative, Inc.
13
14
15
16
17
18
19
20
21
22
23
24
25

1 PROOF OF AND CERTIFICATE OF MAILING

2 I hereby certify that on this 29th day of April, 2011, I caused the foregoing
3 document to be served on the Arizona Corporation Commission by delivering the original and
thirteen (13) copies of the above to:

4 Docket Control
5 Arizona Corporation Commission
6 1200 West Washington
Phoenix, Arizona 85007

7
8 
9 _____
109\29-15-10\Pleadings\Application

ATTACHMENT 1

STATE OF ARIZONA



Office of the
CORPORATION COMMISSION
CERTIFICATE OF GOOD STANDING

To all to whom these presents shall come, greeting:

I, Ernest G. Johnson, Executive Director of the Arizona Corporation Commission, do hereby certify that

*****NAVOPACHE ELECTRIC COOPERATIVE, INC.*****

a domestic nonprofit corporation organized under the laws of the State of Arizona, did incorporate on August 19, 1946.

I further certify that according to the records of the Arizona Corporation Commission, as of the date set forth hereunder, the said corporation is not administratively dissolved for failure to comply with the provisions of the Arizona Nonprofit Corporation Act; and that its most recent Annual Report, subject to the provisions of A.R.S. sections 10-3122, 10-3123, 10-3125, & 10-11622, has been delivered to the Arizona Corporation Commission for filing; and that the said corporation has not filed Articles of Dissolution as of the date of this certificate.

This certificate relates only to the legal existence of the above named entity as of the date issued. This certificate is not to be construed as an endorsement, recommendation, or notice of approval of the entity's condition or business activities and practices.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed the official seal of the Arizona Corporation Commission. Done at Phoenix, the Capital, this 12th Day of April, 2011, A. D.





Executive Director

By: _____ 596605

ATTACHMENT 2

1
2 **BEFORE THE ARIZONA CORPORATION COMMISSION**

3 **COMMISSIONERS**

4 GARY PIERCE, Chairman
5 PAUL NEWMAN
6 SANDRA D. KENNEDY
7 BOB STUMP
8 BRENDA BURNS

9 IN THE MATTER OF THE
10 APPLICATION OF NAVOPACHE
11 ELECTRIC COOPERATIVE, INC. FOR A
12 HEARING TO DETERMINE THE
13 FAIR VALUE OF ITS PROPERTY
14 FOR RATEMAKING PURPOSES,
15 TO FIX A JUST AND REASONABLE
16 RETURN THEREON, TO APPROVE
17 RATES DESIGNED TO DEVELOP
18 SUCH RETURN AND FOR
19 RELATED APPROVALS.

Docket No. E-01787A-11-_____

20
21
22
23
24
25 **PRE-FILED DIRECT TESTIMONY OF DAVID PLUMB**
ON BEHALF OF NAVOPACHE ELECTRIC COOPERATIVE, INC.

APRIL 29, 2011

TABLE OF CONTENTS

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

SUMMARY OF TESTIMONY3

INTRODUCTION4

PURPOSE OF TESTIMONY.....4

FINANCIAL GOALS AND OBJECTIVES6

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

**PRE-FILED DIRECT TESTIMONY
OF DAVID PLUMB
ON BEHALF OF
NAVOPACHE ELECTRIC COOPERATIVE, INC.**

SUMMARY OF TESTIMONY

Mr. David Plumb is the Chief Executive Office of Navopache Electric Cooperative, Inc. ("NEC"). The purpose of his testimony is to provide a general overview of NEC (a non-profit member-owned electric distribution cooperative, and an all requirements customer of Public Service of New Mexico that serves portions of Navajo, Apache, Gila and Greenlee counties in Arizona and a portion of Catron County, New Mexico), the rate case application, and to summarize the primary issues that led NEC to the decision to file a rate increase. Mr. Plumb explains NEC must have sufficient revenues and maintain sufficient debt service coverage and times interest earned ratio to upgrade its sub-transmission and distribution systems, continue to plan for growth, and meet or exceed its lenders minimum requirements, while controlling costs in order to continue to provide safe and reliable electric distribution service at a reasonable rate to its customers consistent with sound financial management and remaining compliant with applicable laws and regulations governing NEC and its activities. By this rate application NEC seeks an additional \$3,408,852 in operating revenues above the adjusted test year ending April 30, 2010 (a 7.16% increase) and rates, charges and policies designed to develop that level of operating revenue.

1 **INTRODUCTION**

2 **Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

3 A. My name is David Plumb. My business address is 1878 W. White Mountain Blvd., Pinetop-
4 Lakeside, AZ 85929.

5
6 **Q. MR. PLUMB, BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?**

7 A. I am the Chief Executive Officer ("CEO") of Navopache Electric Cooperative, Inc. ("NEC").
8

9 **Q. HOW LONG HAVE YOU BEEN IN THIS CAPACITY?**

10 A. I have been the CEO at NEC since January 14, 2008. Previous to my position at NEC I
11 worked for the City of Mesa, Arizona, as the Utilities Manager.
12

13 **Q. PLEASE DESCRIBE YOUR EDUCATIONAL BACKGROUND AND WORK**
14 **EXPERIENCE.**

15 A. I have a Bachelor's degree in Engineering and a Master of Business Administration degree,
16 both from Arizona State University. I am a registered Professional Engineer in the State of
17 Arizona. I have 25 years of electric utility management experience in Arizona, California,
18 and Colorado.
19

20 **PURPOSE OF TESTIMONY**

21 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS PROCEEDING?**

22 A. The purpose of my testimony is to provide a general overview of the rate case application, and
23 to summarize the primary issues that led NEC to the decision to file a rate increase. I will
24 provide information concerning NEC's current financial situation and an overview of the rate
25 request.

1 **Q. PLEASE SUMMARIZE NEC'S CURRENT STATUS.**

2 **A.** NEC is an Arizona non-profit corporation and an electric public service corporation which
3 provides electricity at distribution in portions of Navajo, Apache, Gila, and Greenlee counties
4 in Arizona, pursuant to certificates of convenience and necessity issued by the Arizona
5 Corporation Commission ("ACC" or "Commission"). It also serves a portion of Catron
6 County, New Mexico.

7
8 NEC is owned by its member-customers, who elect an eight (8) member Board of Directors.
9 The Board establishes the Cooperative's policies and directs me on achieving those policies.
10 NEC is a tax exempt 501(C)12 cooperative and must derive at least 85% of its revenues from
11 members to retain its tax exempt status.

12
13 NEC currently has approximately 39,800 customers receiving services and most of those,
14 over 36,200 customers, are in the residential rate class. NEC has over 3,200 miles of
15 underground and overhead distribution system and employs 102 full time employees and 5
16 part time employees.

17
18 Navopache is an all-requirements customer of Public Service Company of New Mexico
19 ("PNM") and does not own generation or transmission facilities. The Cooperative's service
20 area includes many mountainous areas with elevations of 5,000 to 11,000 feet and much of its
21 system is located on Federal lands and in heavily wooded areas. Except for the vicinity in and
22 around Pinetop-Lakeside, NEC's service area is not densely populated and encompasses the
23 White Mountain Apache Indian Tribe's reservation.

1 **Q. WHAT ARE THE MAJOR STRATEGIC ISSUES FACING NEC AND HOW DOES**
2 **THIS RATE CASE FIT INTO NEC'S LONG TERM PLAN?**

3 A. NEC faces three primary strategic issues in its effort to continue to provide safe and reliable
4 electric distribution service at a reasonable rate to its customers consistent with sound
5 financial management, while complying with various laws and directives from regulatory
6 bodies, including the Commission. First, NEC must continue to upgrade its sub-transmission
7 and distribution systems. Second, NEC must continue to plan for growth in its system. And
8 third, NEC must control costs to keep rates as low as practicable, consistent with addressing
9 the first two strategic issues, by employing technology where appropriate and utilizing
10 resources in the most effective way possible. This rate case is designed to provide the
11 necessary funding for the required system maintenance, for required new facilities, and for the
12 technology which will enable the Cooperative to continue to control costs to its members,
13 while keeping rates as low as practicable.

14
15 **FINANCIAL GOALS AND OBJECTIVES**

16 **Q. PLEASE DESCRIBE NEC'S FINANCIAL GOALS AND OBJECTIVES.**

17 A. NEC must have sufficient funds for system maintenance and replacement, for facilities
18 required to meet future growth, and for appropriate technology to help control costs,
19 consistent with sound financial management and its member-elected Board's desire to keep
20 rates low. A significant financial goal and objective is to maintain its debt service coverage
21 ("DSC") and times interest earned ratio ("TIER") and equity levels at acceptable levels. At a
22 minimum the DSC and TIER must be established at reasonable levels above the default
23 minimums established by NEC's lenders.

1 **Q. PLEASE SUMMARIZE THE RATE INCREASE THAT NEC IS REQUESTING.**

2 A. NEC is requesting an overall rate increase of 7.16%, or an additional \$3,408,852 in operating
3 revenues above the adjusted test year ending April 30, 2010. The additional operating revenue
4 is projected to produce an Operating TIER of 2.23. The proposed increase will allow NEC to
5 incrementally grow its equity as a percent of assets with a goal of reaching 30% by 2019. In
6 addition to the rate increase, NEC is proposing a revision to its line extension policy reducing
7 NEC's construction allowance for Residential members from \$1,500 to \$500. This change
8 will increase the amount contributed by members and reduce the capital investment required
9 by existing NEC customers to support service to allow new NEC customers to receive electric
10 service.

11
12 The proposed rates reflect NEC's objectives of moving toward cost of service based rates that
13 appropriately promote energy efficiency. Cost based rates remove some of the disincentive to
14 pursuing energy efficiency inherent in rate designs that overprice the cost of energy and
15 underprice the cost of providing basic service.

16
17 **Q. DID NEC'S BOARD APPROVE THE RATE FILING AND OTHER REQUESTS NEC**
18 **IS MAKING IN ITS RATE FILING?**

19 A. Yes, on February 23, 2011, the Board approved the proposed rate change, cost of service
20 study, the revision of the line extension policy and directed the preparation and filing of the
21 rate application.

22
23 **Q. IS NEC UNDER A COMMISSION ORDER TO FILE A RATE APPLICATION?**

24 A. No. However, in Decision No. 71859, involving amending the projects on which NEC could
25 expend \$7 million of previously approved RUS loan funds, the ACC Staff recommended that

1 in the event NEC's Board determined a rate filing is necessary, that it be filed by July 1, 2011.
2 The Staff's recommendation was consistent with a stipulation docketed in that case between
3 NEC and the International Brotherhood of Electrical Workers ("IBEW") Local 387. Since
4 NEC's Board of Directors has now found that a rate filing is necessary, we believe it should
5 be filed as soon as possible and in no event after July 1, 2011.
6

7 **Q. WHAT PROCESS WAS INVOLVED FOR NEC TO PREPARE AND FILE THIS**
8 **APPLICATION TO ADJUST RATES?**

9 A. As mentioned, NEC is a non-profit member-owned cooperative with a Board of Directors
10 elected by and from its membership that is committed to providing safe and reliable electric
11 service at the lowest practicable price, consistent with prudent financial practices.
12 Management provides the Board with an overview of the Cooperative's financial condition at
13 each Board meeting. The Board annually reviews and approves the budget for the
14 Cooperative. It also is briefed on and approves the 4-year Construction Work Plan that is
15 submitted to and approved by the Rural Utility Service. Through these processes, the issue of
16 whether and when rate adjustment should be sought is discussed.
17

18 In the spring of 2009, management advised the Board that economic conditions in NEC's
19 certificated area, coupled with rising costs made it appropriate to evaluate filing for a rate
20 adjustment in order to improve margins and avoid technical default with its lenders. C.H.
21 Guernsey was hired to undertake a formal evaluation and make its recommendations to
22 management and the Board. The process of gathering the materials requested by the
23 consultant took several months. Importantly, the Cooperative has no employees dedicated to
24 preparing rate applications. In fact, preparation of rate applications is not one of the functions
25 we actually set forth in any job description for our employees. Additionally our financial

1 software is designed to retain information, to create billing statements, to prepare reports
2 required by RUS and other governmental agencies, and assist in conducting our annual audits.
3 We do not maintain any software designed to generate cost of service studies or other
4 schedules the Commission Staff is used to seeing with rate applications. Therefore, the
5 Cooperative employees were tasked with responding to C. H. Guernsey in addition to
6 performing their regular functions for NEC. Additionally, only one member of NEC's
7 management has even previously been involved in a rate proceeding before the Arizona
8 Corporation Commission and that was in 2001.

9
10 In early January, 2011 the consultants had sufficient information to make an initial
11 presentation to management on its preliminary recommendations. Thereafter, a preliminary
12 presentation was made to the Navopache Board on January 25, 2011 and the Board formally
13 authorized proceeding with the rate filing at its February, 23, 2011 Board Meeting. Since
14 then we have worked with the consultants and our attorneys to develop a filing package that
15 would be deemed sufficient by Commission Staff. From mid-April until the date of filing our
16 consultants and attorneys have worked with Staff in an effort to label and organize schedules
17 in a manner acceptable to Staff. We have prepared materials which we understand far exceed
18 the minimum requirements specified for electric distribution cooperatives pursuant to
19 Commission Rule A.A.C. R14-02-203(B). This was done to facilitate Staff's review of our
20 Application, but it did take additional time. However, we have made our initial filing in a
21 manner to meet the minimum requirements of the Commission's rules. We will supplement
22 our initial filing with additional schedules and direct testimony within thirty (30) days of a
23 determination that this application is sufficient under Commission Rule A.A.C. R14-02-
24 203(B) or as otherwise agreed with Staff.

1 **Q. DID NAVOPACHE NEED TO COMPLETE ANY ACTIONS IN 2010 IN ORDER TO**
2 **FINALIZE ITS RATE FILING?**

3 Certain activities were ongoing in 2010 that management wanted completed before finalizing
4 this Application. The first was the preparation, submittal and approval of our 4-year
5 Construction Work Plan during 2010. While this document does not impact NEC's test year
6 income or expenditures, it is the blueprint for system improvements, upgrades, replacements
7 and additions and has a significant impact on the Cooperative's need for cash and financing.
8 An approved work plan is integral to our financial forecasts. We have provided a ten year
9 financial forecast as part of this Application. The RUS approved NEC's 2010 to 2013
10 Construction Work Plan in October 2010.

11
12 The second significant activity management wanted concluded, if possible, was the collective
13 bargaining agreement with IBEW Local 387. The last agreement had expired in November
14 2009. As an impasse had been reached in wage negotiations, IBEW Local 387 and NEC
15 agreed to have the matter decided by an arbitrator. The Union was seeking wage increases
16 retroactive to November 2009, while NEC sought a wage freeze through November 2011 with
17 a reopener in November 2011. The arbitrator rendered his decision on February 7, 2011
18 adopting NEC's proposal. As a result, there was no impact on test year expense for those
19 employees covered by the collective bargaining agreement with IBEW Local 387.

20
21 A third matter we were working on in 2010 was negotiating with PNM on the rates it would
22 charge NEC under our power supply agreement. In the end, PNM decided it would file a rate
23 change application with the Federal Energy Regulatory Commission in mid-2011.
24
25

1 **Q. DO YOU BELIEVE NEC ACTED PROMPTLY AND PRUDENTLY IN**
2 **EVALUATING WHETHER TO MAKE A RATE APPLICATION AND IN**
3 **PREPARING THE APPLICATION?**

4 **A.** Yes. The process took almost a year to complete. While this may result in filing based upon
5 a test year older than the Commission Staff is used to processing, I believe we acted prudently
6 in evaluating the need for the filing and in preparing the filing. As noted, unlike for profit
7 utilities of our size, we have no profit motive and have not staffed in such a manner to
8 facilitate rate filings. Such staffing would represent an ongoing cost that our members would
9 be required to pay. Therefore, we find the compilation of a rate filing to be time consuming
10 and a somewhat arduous task. We understand the information is necessary for rate setting
11 purposes and that is why we took the time to prepare information above the minimum
12 specified by the Commission's rules.

13
14 **Q. DO YOU BELIEVE THE APRIL 30, 2010 TEST YEAR IS REPRESENTATIVE OF**
15 **NEC'S CURRENT CONDITIONS?**

16 **A.** Yes. The number of customers, the number of employees and plant values for NEC have
17 experienced little change since the close of the test year. This is largely attributable to the
18 continued depressed economy in our certificated area and the Board's decisions to limit hiring
19 and defer many of the plant improvements, additions and modifications to the 2010 - 2013
20 Construction Work Plan. Therefore, when known and definite adjustments are made to the
21 test year values, the test year is representative of NEC's current conditions.

1 **Q. PLEASE DESCRIBE NEC'S CURRENT LINE EXTENSION POLICY AND WHY**
2 **NEC IS FILING A CHANGE TO ITS LINE EXTENSION POLICY.**

3 A. Currently new line extensions are allowed \$1,500 toward the cost of the service, without
4 considering meter and transformer costs. This number was developed in 2002. I was not
5 working with NEC at the time, but presumably it represented an average return to the
6 Cooperative based on expected sales. With little growth in the system today, and much of
7 that seasonal, the current line extension policy represents a subsidization of new services by
8 existing members. The recommended policy more fully assigns the cost of new service to the
9 new service, while still recognizing the contribution to overall costs a new service will make.
10

11 **Q. WHY IS NEC'S RATE FILING IN THE PUBLIC INTEREST?**

12 A. Maintaining a reliable electric system and complying with the terms of existing loans are in
13 the public interest. NEC's rate filing will provide the funding to insure that the proper level
14 of maintenance and service replacement can occur, while maintaining the DSC and TIER
15 NEC is required to maintain.
16

17 **Q. DOES THIS CONCLUDE YOUR TESTIMONY?**

18 A. Yes, it does.
19
20
21
22
23
24
25

ATTACHMENT 3

According to the Paperwork Reduction Act of 1995, an agency may not conduct or sponsor, and a person is not required to respond to, a collection of information unless it displays a valid OMB control number. The valid OMB control number for this information collection is 0572-0032. The time required to complete this information collection is estimated to average 15 hours per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information.

UNITED STATES DEPARTMENT OF AGRICULTURE
RURAL UTILITIES SERVICE

BORROWER DESIGNATION

AZ0013

**FINANCIAL AND OPERATING REPORT
ELECTRIC DISTRIBUTION**

PERIOD ENDED

December, 2010

BORROWER NAME

Navopache Electric Cooperative Inc

INSTRUCTIONS - See help in the online application.

This information is analyzed and used to determine the submitter's financial situation and feasibility for loans and guarantees. You are required by contract and applicable regulations to provide the information. The information provided is subject to the Freedom of Information Act (5 U.S.C. 552)

CERTIFICATION

We recognize that statements contained herein concern a matter within the jurisdiction of an agency of the United States and the making of a false, fictitious or fraudulent statement may render the maker subject to prosecution under Title 18, United States Code Section 1001.

We hereby certify that the entries in this report are in accordance with the accounts and other records of the system and reflect the status of the system to the best of our knowledge and belief.

ALL INSURANCE REQUIRED BY PART 1788 OF 7 CFR CHAPTER XVII, RUS, WAS IN FORCE DURING THE REPORTING PERIOD AND RENEWALS HAVE BEEN OBTAINED FOR ALL POLICIES DURING THE PERIOD COVERED BY THIS REPORT PURSUANT TO PART 1718 OF 7 CFR CHAPTER XVII

(check one of the following)

☒ All of the obligations under the RUS loan documents have been fulfilled in all material respects.

☐ There has been a default in the fulfillment of the obligations under the RUS loan documents. Said default(s) is/are specifically described in Part D of this report.

DATE

PART A. STATEMENT OF OPERATIONS

| ITEM | YEAR-TO-DATE | | | THIS MONTH |
|--|------------------|------------------|---------------|------------|
| | LAST YEAR (a) | THIS YEAR (b) | BUDGET (c) | |
| Operating Revenue and Patronage Capital | 40,128,777 | 42,393,903 | 41,412,574 | 3,708,677 |
| Power Production Expense | | | | |
| 3. Cost of Purchased Power | 20,242,279 | 22,683,372 | 21,643,060 | 2,007,499 |
| 4. Transmission Expense | 121,523 | 137,838 | 109,935 | 14,928 |
| 5. Regional Market Expense | | | | |
| 6. Distribution Expense - Operation | 2,953,935 | 2,614,639 | 2,869,165 | 371,512 |
| 7. Distribution Expense - Maintenance | 2,911,374 | 2,218,668 | 2,416,943 | 224,404 |
| 8. Customer Accounts Expense | 3,126,261 | 2,997,409 | 2,942,029 | 309,983 |
| 9. Customer Service and Informational Expense | 380,356 | 275,193 | 342,449 | 30,461 |
| 10. Sales Expense | 250,021 | 197,826 | 245,477 | 13,332 |
| 11. Administrative and General Expense | 4,083,991 | 4,433,478 | 3,814,939 | 634,616 |
| 12. Total Operation & Maintenance Expense (2 thru 11) | 34,069,740 | 35,558,423 | 34,383,997 | 3,606,735 |
| 13. Depreciation and Amortization Expense | 3,330,061 | 3,532,302 | 3,548,767 | 304,818 |
| 14. Tax Expense - Property & Gross Receipts | 16,861 | 18,005 | 24,338 | 1,275 |
| 15. Tax Expense - Other | 34,355 | 109,086 | 40,246 | 11,970 |
| 16. Interest on Long-Term Debt | 2,097,424 | 2,058,336 | 2,565,395 | 160,565 |
| 17. Interest Charged to Construction - Credit | | | | |
| 18. Interest Expense - Other | 42,738 | 42,987 | 45,901 | 3,694 |
| 19. Other Deductions | 22,368 | 73,611 | 13,706 | 542 |
| 20. Total Cost of Electric Service (12 thru 19) | 39,613,547 | 41,392,750 | 40,622,350 | 4,089,599 |
| 21. Patronage Capital & Operating Margins (1 minus 20) | 515,230 | 1,001,153 | 790,224 | (380,922) |
| 22. Non Operating Margins - Interest | 63,965 | 69,355 | 63,861 | 5,089 |
| 23. Allowance for Funds Used During Construction | | | | |
| 24. Income (Loss) from Equity Investments | | | | |
| 25. Non Operating Margins - Other | 3,277 | 6,848 | (13,156) | (1,826) |
| 26. Generation and Transmission Capital Credits | | | | |
| 27. Other Capital Credits and Patronage Dividends | 121,370 | 90,066 | 185,229 | 25,183 |
| Extraordinary Items | | | | |
| 29. Patronage Capital or Margins (21 thru 28) | 703,842 | 1,167,422 | 1,026,158 | (352,466) |

RUS Financial and Operating Report Electric Distribution

Revision Date 2010

| UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE | | | BORROWER DESIGNATION AZ0013 | | |
|--|------------------|------------------|--|------------------|------------------|
| FINANCIAL AND OPERATING REPORT ELECTRIC DISTRIBUTION | | | PERIOD ENDED December, 2010 | | |
| INSTRUCTIONS - See help in the online application. | | | | | |
| PART B. DATA ON TRANSMISSION AND DISTRIBUTION PLANT | | | | | |
| ITEM | YEAR-TO-DATE | | ITEM | YEAR-TO-DATE | |
| | LAST YEAR (a) | THIS YEAR (b) | | LAST YEAR (a) | THIS YEAR (b) |
| 1. New Services Connected | 492 | 404 | 5. Miles Transmission | 263.00 | 263.63 |
| 2. Services Retired | 150 | 198 | 6. Miles Distribution -- Overhead | 2,609.56 | 2,612.34 |
| 3. Total Services in Place | 42,621 | 42,827 | 7. Miles Distribution - Underground | 604.39 | 606.94 |
| 4. Idle Services (Exclude Seasonals) | 2,889 | 3,087 | 8. Total Miles Energized (5 + 6 + 7) | 3,476.95 | 3,482.91 |
| PART C. BALANCE SHEET | | | | | |
| ASSETS AND OTHER DEBITS | | | LIABILITIES AND OTHER CREDITS | | |
| 1. Total Utility Plant in Service | 119,696,116 | | 30. Memberships | 164,830 | |
| 2. Construction Work in Progress | 3,598,627 | | 31. Patronage Capital | 25,229,423 | |
| 3. Total Utility Plant (1 + 2) | 123,294,743 | | 32. Operating Margins - Prior Years | (2,998,254) | |
| 4. Accum. Provision for Depreciation and Amort. | 49,600,584 | | 33. Operating Margins - Current Year | 0 | |
| 5. Net Utility Plant (3 - 4) | 73,694,159 | | 34. Non-Operating Margins | 0 | |
| 6. Non-Utility Property (Net) | 0 | | 35. Other Margins and Equities | 880,323 | |
| 7. Investments in Subsidiary Companies | 0 | | 36. Total Margins & Equities (30 thru 35) | 23,276,322 | |
| 8. Invest. in Assoc. Org. - Patronage Capital | 687,040 | | 37. Long-Term Debt - RUS (Net) | 55,106,616 | |
| 9. Invest. in Assoc. Org. - Other - General Funds | 100,200 | | 38. Long-Term Debt - FFB - RUS Guaranteed | 0 | |
| 10. Invest. in Assoc. Org. - Other - Nongeneral Funds | 1,336,119 | | 39. Long-Term Debt - Other - RUS Guaranteed | 0 | |
| 11. Investments in Economic Development Projects | 0 | | 40. Long-Term Debt Other (Net) | 3,862,062 | |
| 12. Other Investments | 41,544 | | 41. Long-Term Debt - RUS - Econ. Devel. (Net) | 0 | |
| 13. Special Funds | 0 | | 42. Payments - Unapplied | 0 | |
| 14. Total Other Property & Investments (6 thru 13) | 2,164,903 | | 43. Total Long-Term Debt (37 thru 41 - 42) | 58,968,678 | |
| 15. Cash - General Funds | 467,273 | | 44. Obligations Under Capital Leases - Noncurrent | 0 | |
| 16. Cash - Construction Funds - Trustee | 5 | | 45. Accumulated Operating Provisions and Asset Retirement Obligations | 1,539,344 | |
| 17. Special Deposits | 1,370,839 | | 46. Total Other Noncurrent Liabilities (44 + 45) | 1,539,344 | |
| 18. Temporary Investments | 4,493,570 | | 47. Notes Payable | 0 | |
| 19. Notes Receivable (Net) | 13,140 | | 48. Accounts Payable | 2,630,949 | |
| 20. Accounts Receivable - Sales of Energy (Net) | 2,960,911 | | 49. Consumers Deposits | 771,408 | |
| 21. Accounts Receivable - Other (Net) | 513,583 | | 50. Current Maturities Long-Term Debt | 2,547,012 | |
| 22. Renewable Energy Credits | 0 | | 51. Current Maturities Long-Term Debt - Economic Development | 0 | |
| 23. Materials and Supplies - Electric & Other | 3,645,098 | | 52. Current Maturities Capital Leases | 0 | |
| 24. Prepayments | 494,200 | | 53. Other Current and Accrued Liabilities | 1,356,469 | |
| 25. Other Current and Accrued Assets | 232,524 | | 54. Total Current & Accrued Liabilities (47 thru 53) | 7,305,825 | |
| 26. Total Current and Accrued Assets (15 thru 25) | 14,191,143 | | 55. Regulatory Liabilities | 0 | |
| 27. Regulatory Assets | 0 | | 56. Other Deferred Credits | 2,299,653 | |
| 28. Other Deferred Debits | 3,339,617 | | 57. Total Liabilities and Other Credits (36 + 43 + 46 + 54 thru 56) | 93,389,822 | |
| 29. Total Assets and Other Debits (5+14+26 thru 28) | 93,389,822 | | | | |

| | |
|---|---|
| UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE FINANCIAL AND OPERATING REPORT ELECTRIC DISTRIBUTION | BORROWER DESIGNATION AZ0013 |
| INSTRUCTIONS - See help in the online application. | PERIOD ENDED December, 2010 |

PART D. NOTES TO FINANCIAL STATEMENTS

Navopache Electric Cooperative experienced a major winter snow storm in January 2010 that qualified for FEMA assistance. Navopache submitted approximately \$492,000 to FEMA and has met all FEMA filing requirements.

FEMA has not completed their audit of Navopache records and field work.

Navopache has recorded the expected FEMA reimbursement as an account receivable, 142.70 FEMA Receivable. The account receivable was reviewed and approved by Navopache's auditors and is reflected in the audited financial statements.

| | | | | | |
|--|--|--|--|--------------------------------|--|
| UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE | | | | BORROWER DESIGNATION AZ0013 | |
| FINANCIAL AND OPERATING REPORT ELECTRIC DISTRIBUTION | | | | PERIOD ENDED December, 2010 | |
| INSTRUCTIONS - See help in the online application. | | | | | |

| PART E. CHANGES IN UTILITY PLANT | | | | | |
|--|-------------------------------------|------------------|--------------------|-------------------------------------|-------------------------------|
| PLANT ITEM | BALANCE BEGINNING OF YEAR (a) | ADDITIONS (b) | RETIREMENTS (c) | ADJUSTMENTS AND TRANSFERS (d) | BALANCE END OF YEAR (e) |
| 1. Distribution Plant | 86,145,815 | 8,963,369 | 1,837,454 | 1,741 | 93,273,471 |
| 2. General Plant | 11,573,289 | 279,740 | 480,798 | 71,166 | 11,443,397 |
| 3. Headquarters Plant | 2,006,465 | 67,265 | | | 2,073,730 |
| 4. Intangibles | 228,075 | | | | 228,075 |
| 5. Transmission Plant | 12,061,288 | | 5,510 | | 12,055,778 |
| 6. Regional Transmission and Market Operation Plant | | | | | |
| 7. All Other Utility Plant | 621,665 | | | | 621,665 |
| 8. Total Utility Plant In Service (1 thru 7) | 112,636,597 | 9,310,374 | 2,323,762 | 72,907 | 119,696,116 |
| 9. Construction Work in Progress | 4,997,364 | (1,398,737) | | | 3,598,627 |
| 10. Total Utility Plant (8 + 9) | 117,633,961 | 7,911,637 | 2,323,762 | 72,907 | 123,294,743 |

| PART F. MATERIALS AND SUPPLIES | | | | | | | |
|--------------------------------|-------------------------------------|------------------|-----------------|-------------------|-------------|-------------------|-------------------------------|
| ITEM | BALANCE BEGINNING OF YEAR (a) | PURCHASED (b) | SALVAGED (c) | USED (NET) (d) | SOLD (e) | ADJUSTMENT (f) | BALANCE END OF YEAR (g) |
| 1. Electric | 4,147,681 | 2,141,778 | 63,718 | 2,812,815 | 32 | (20,211) | 3,520,119 |
| 2. Other | 80,167 | 217,709 | | 171,771 | | (1,126) | 124,979 |

| PART G. SERVICE INTERRUPTIONS | | | | | |
|-------------------------------|---------------------------------------|--------------------|----------------|------------------|--------------|
| ITEM | AVERAGE MINUTES PER CONSUMER BY CAUSE | | | | TOTAL (e) |
| | POWER SUPPLIER (a) | MAJOR EVENT (b) | PLANNED (c) | ALL OTHER (d) | |
| Present Year | 52.980 | 516.900 | 58.086 | 414.792 | 1,042.758 |
| Five-Year Average | 10.596 | 103.380 | 11.617 | 82.958 | 208.551 |

| PART H. EMPLOYEE-HOUR AND PAYROLL STATISTICS | | | |
|--|---------|--------------------------|-----------|
| 1. Number of Full Time Employees | 104 | 4. Payroll - Expensed | 5,696,662 |
| 2. Employee - Hours Worked - Regular Time | 221,372 | 5. Payroll - Capitalized | 1,637,520 |
| 3. Employee - Hours Worked - Overtime | 10,236 | 6. Payroll - Other | 560,880 |

| PART I. PATRONAGE CAPITAL | | | |
|------------------------------------|--|------------------|-------------------|
| ITEM | DESCRIPTION | THIS YEAR (a) | CUMULATIVE (b) |
| 1. Capital Credits - Distributions | a. General Retirements | 0 | 2,654,881 |
| | b. Special Retirements | 147,296 | 1,872,302 |
| | c. Total Retirements (a + b) | 147,296 | 4,527,188 |
| 2. Capital Credits - Received | a. Cash Received From Retirement of Patronage Capital by Suppliers of Electric Power | | |
| | b. Cash Received From Retirement of Patronage Capital by Lenders for Credit Extended to the Electric System | 16,890 | |
| | c. Total Cash Received (a + b) | 16,890 | |

| PART J. DUE FROM CONSUMERS FOR ELECTRIC SERVICE | | | |
|---|-----------|-----------------------------------|------------|
| 1. Amount Due Over 60 Days | \$ 62,836 | 2. Amount Written Off During Year | \$ 216,195 |

| UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE FINANCIAL AND OPERATING REPORT ELECTRIC DISTRIBUTION | | | | | BORROWER DESIGNATION AZ0013 | | | | |
|---|---------------------------------|----------------------------------|--|---------------------------|------------------------------------|---------------|--------------------------------|---|--|
| INSTRUCTIONS - See help in the online application | | | | | PERIOD ENDED December, 2010 | | | | |
| PART K. kWh PURCHASED AND TOTAL COST | | | | | | | | | |
| No | ITEM | RUS USE ONLY SUPPLIER CODE | RENEWABLE ENERGY PROGRAM NAME | RENEWABLE FUEL TYPE | kWh PURCHASED | TOTAL COST | AVERAGE COST (Cents/kWh) | INCLUDED IN TOTAL COST - FUEL COST ADJUSTMENT (h) | INCLUDED IN TOTAL COST - WHEELING AND OTHER CHARGES (i) |
| | (a) | (b) | (c) | (d) | (e) | (f) | (g) | | |
| 1 | Public Service Company of NM | 15473 | | | 417,709,726 | 21,946,614 | 5.25 | | |
| 2 | Western Area Power Admin | 27000 | | | 24,726,787 | 736,758 | 2.98 | | |
| 3 | *Adjustments | 600000 | | | | | 0.00 | | |
| | Total | | | | 442,436,513 | 22,683,372 | 5.13 | | |

| | | | |
|--|-----------------|------------------------------------|--|
| UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE FINANCIAL AND OPERATING REPORT ELECTRIC DISTRIBUTION | | BORROWER DESIGNATION AZ0013 | |
| INSTRUCTIONS - See help in the online application | | PERIOD ENDED December, 2010 | |
| PART K. kWh PURCHASED AND TOTAL COST | | | |
| No | Comments | | |
| 1 | | | |
| 2 | | | |
| 3 | | | |

| UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE FINANCIAL AND OPERATING REPORT ELECTRIC DISTRIBUTION | | BORROWER DESIGNATION AZ0013 | |
|---|--------------------------------|---|---------------------------------|
| INSTRUCTIONS - See help in the online application. | | PERIOD ENDED December, 2010 | |
| PART L. LONG-TERM LEASES | | | |
| No | NAME OF LESSOR (a) | TYPE OF PROPERTY (b) | RENTAL THIS YEAR (c) |
| 1 | Arizona State Land Departunent | land | 14,717 |
| 2 | Phillip Swapp | land | 1,000 |
| 3 | Tansey Houghton | land | 50 |
| 4 | Jeanne Hatch | land | 3,600 |
| 5 | Earl Properties | land | 3,600 |
| 6 | Jefferson Larson | land | 46,800 |
| TOTAL | | | 69,767 |

| | | | |
|--|---------------------------------------|---|--|
| UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE FINANCIAL AND OPERATING REPORT ELECTRIC DISTRIBUTION | | BORROWER DESIGNATION AZ0013 PERIOD ENDED December, 2010 | |
| INSTRUCTIONS - See help in the online application. | | | |
| PART M. ANNUAL MEETING AND BOARD DATA | | | |
| 1. Date of Last Annual Meeting 9/11/2010 | 2. Total Number of Members 32,966 | 3. Number of Members Present at Meeting 212 | 4. Was Quorum Present? Y |
| 5. Number of Members Voting by Proxy or Mail 0 | 6. Total Number of Board Members 8 | 7. Total Amount of Fees and Expenses for Board Members \$ 157,617 | 8. Does Manager Have Written Contract? N |

RUS Financial and Operating Report Electric Distribution

Revision Date 2010

| | | | | | |
|---|--|-------------------------------|---------------------------------------|--|------------------------------------|
| UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE FINANCIAL AND OPERATING REPORT ELECTRIC DISTRIBUTION | | | BORROWER DESIGNATION AZ0013 | | |
| INSTRUCTIONS - See help in the online application. | | | PERIOD ENDED December, 2010 | | |
| PART N. LONG-TERM DEBT AND DEBT SERVICE REQUIREMENTS | | | | | |
| No | ITEM | BALANCE END OF YEAR (a) | INTEREST (Billed This Year) (b) | PRINCIPAL (Billed This Year) (c) | TOTAL (Billed This Year) (d) |
| 1 | Rural Utilities Service (Excludes RUS - Economic Development Loans) | 55,106,616 | 1,777,488 | 1,876,208 | 3,653,696 |
| 2 | National Rural Utilities Cooperative Finance Corporation | 3,862,062 | 280,847 | 670,805 | 951,652 |
| 3 | CoBank, ACB | | | | |
| 4 | Federal Financing Bank | | | | |
| 5 | RUS - Economic Development Loans | | | | |
| 6 | Payments Unapplied | | | | |
| | TOTAL | 58,968,678 | 2,058,335 | 2,547,013 | 4,605,348 |

| UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE | | BORROWER DESIGNATION AZ0013 | | |
|---|----------------------------------|--------------------------------|--|------------------------------|
| FINANCIAL AND OPERATING REPORT ELECTRIC DISTRIBUTION | | PERIOD ENDED December, 2010 | | |
| INSTRUCTIONS - See help in the online application. | | | | |
| PART O. POWER REQUIREMENTS DATABASE - ANNUAL SUMMARY | | | | |
| CLASSIFICATION | CONSUMER SALES & REVENUE DATA | DECEMBER (a) | AVERAGE NO. CONSUMERS SERVED (b) | TOTAL YEAR TO DATE (c) |
| 1. Residential Sales (excluding seasonal) | a. No. Consumers Served | 24,760 | 24,700 | |
| | b. kWh Sold | | | 210,635,170 |
| | c. Revenue | | | 21,463,212 |
| 2. Residential Sales - Seasonal | a. No. Consumers Served | 11,500 | 11,619 | |
| | b. kWh Sold | | | 35,853,753 |
| | c. Revenue | | | 5,205,588 |
| 3. Irrigation Sales | a. No. Consumers Served | 66 | 63 | |
| | b. kWh Sold | | | 6,048,755 |
| | c. Revenue | | | 592,054 |
| 4. Comm. and Ind. 1000 KVA or Less | a. No. Consumers Served | 3,663 | 3,710 | |
| | b. kWh Sold | | | 143,277,536 |
| | c. Revenue | | | 12,888,257 |
| 5. Comm. and Ind. Over 1000 KVA | a. No. Consumers Served | 7 | 9 | |
| | b. kWh Sold | | | 20,883,160 |
| | c. Revenue | | | 1,461,147 |
| 6. Public Street & Highway Lighting | a. No. Consumers Served | 100 | 100 | |
| | b. kWh Sold | | | 700,813 |
| | c. Revenue | | | 99,255 |
| 7. Other Sales to Public Authorities | a. No. Consumers Served | | | |
| | b. kWh Sold | | | |
| | c. Revenue | | | |
| 8. Sales for Resale - RUS Borrowers | a. No. Consumers Served | | | |
| | b. kWh Sold | | | |
| | c. Revenue | | | |
| 9. Sales for Resale - Other | a. No. Consumers Served | | | |
| | b. kWh Sold | | | |
| | c. Revenue | | | |
| 10. Total No. of Consumers (lines 1a thru 9a) | | 40,096 | 40,201 | |
| 11. Total kWh Sold (lines 1b thru 9b) | | | | 417,399,187 |
| 12. Total Revenue Received From Sales of Electric Energy (lines 1c thru 9c) | | | | 41,709,513 |
| 13. Transmission Revenue | | | | |
| 14. Other Electric Revenue | | | | 684,389 |
| 15. kWh - Own Use | | | | 1,202,968 |
| 16. Total kWh Purchased | | | | 442,436,513 |
| 17. Total kWh Generated | | | | |
| 18. Cost of Purchases and Generation | | | | 22,821,210 |
| 19. Interchange - kWh - Net | | | | |
| 20. Peak - Sum All kW Input (Metered) Non-coincident <input type="checkbox"/> Coincident <input checked="" type="checkbox"/> | | | | 75,509 |

RUS Financial and Operating Report Electric Distribution

Revision Date 2010

| | |
|--|--------------------------------|
| UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE FINANCIAL AND OPERATING REPORT ELECTRIC DISTRIBUTION | BORROWER DESIGNATION AZ0013 |
| | PERIOD ENDED December, 2010 |

INSTRUCTIONS - See help in the online application.

PART P. ENERGY EFFICIENCY PROGRAMS

| CLASSIFICATION | ADDED THIS YEAR | | | TOTAL TO DATE | | |
|---|-------------------------|------------------------|--------------------------------|-------------------------|------------------------|--------------------------------|
| | No. of Consumers (a) | Amount Invested (b) | Estimated MMBTU Savings (c) | No. of Consumers (d) | Amount Invested (e) | Estimated MMBTU Savings (f) |
| 1. Residential Sales (excluding seasonal) | | | | | | |
| 2. Residential Sales - Seasonal | | | | | | |
| 3. Irrigation Sales | | | | | | |
| 4. Comm. and Ind. 1000 KVA or Less | | | | | | |
| 5. Comm. and Ind. Over 1000 KVA | | | | | | |
| 6. Public Street and Highway Lighting | | | | | | |
| 7. Other Sales to Public Authorities | | | | | | |
| 8. Sales for Resale - RUS Borrowers | | | | | | |
| 9. Sales for Resale - Other | | | | | | |
| 10. Total | | | | | | |

RUS Financial and Operating Report Electric Distribution

Revision Date 2010

| UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE | | BORROWER DESIGNATION AZ0013 | | | |
|--|---|--------------------------------|-------------------------|-------------------------------|-----------------------------|
| FINANCIAL AND OPERATING REPORT ELECTRIC DISTRIBUTION INVESTMENTS, LOAN GUARANTEES AND LOANS | | PERIOD ENDED December, 2010 | | | |
| INSTRUCTIONS - Reporting of investments is required by 7 CFR 1717, Subpart N. Investment categories reported on this Part correspond to Balance Sheet items in Part C. Identify all investments in Rural Development with an 'X' in column (e). Both 'Included' and 'Excluded' Investments must be reported. See help in the online application. | | | | | |
| PART Q. SECTION I. INVESTMENTS (See instructions for definitions of Income or Loss) | | | | | |
| No | DESCRIPTION (a) | INCLUDED (\$) (b) | EXCLUDED (\$) (c) | INCOME OR LOSS (\$) (d) | RURAL DEVELOPMENT (e) |
| 2 | Investments in Associated Organizations | | | | |
| | CFC Patronage Capital | 269,275 | | 33,779 | |
| | ERMCO Patronage Capital | 200,595 | | 25,183 | |
| | NISC Patronage Capital | 57,781 | | 9,670 | |
| | AECI Patronage Capital | 1,200 | | | |
| | Federated Patronage Capital | 157,823 | | 21,434 | |
| | Touch Stone Patronage Capital | 366 | | | |
| | CFC Capital Security | 100,000 | | 7,720 | |
| | ERMCO Membership | 100 | | | |
| | GCSECA Membership | 100 | | | |
| | CFC Capital Term Cetificates | | 1,336,119 | 57,395 | |
| | Totals | 787,240 | 1,336,119 | 155,181 | |
| 4 | Other Investments | | | | |
| | NEC Weatherization Loans | 41,544 | | 2,056 | |
| | Totals | 41,544 | | 2,056 | |
| 6 | Cash - General | | | | |
| | NEC Cash General | | 467,273 | | |
| | Totals | | 467,273 | | |
| 7 | Special Deposits | | | | |
| | Arizona Corporation Commission REST | 1,370,839 | | | |
| | Totals | 1,370,839 | | | |
| 8 | Temporary Investments | | | | |
| | JP Morgan Chase Sweep | | 4,493,570 | | |
| | Totals | | 4,493,570 | | |
| 9 | Accounts and Notes Receivable - NET | | | | |
| | NEC Accounts Receivable & Notes - Net | 526,724 | | 454 | |
| | Totals | 526,724 | | 454 | |
| 11 | TOTAL INVESTMENTS (1 thru 10) | 2,726,347 | 6,296,962 | 157,691 | |

| UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE | | BORROWER DESIGNATION AZ0013 | | | |
|--|---------------------------------------|--------------------------------|--------------------------------|-----------------------------|-----------------------------|
| FINANCIAL AND OPERATING REPORT ELECTRIC DISTRIBUTION INVESTMENTS, LOAN GUARANTEES AND LOANS | | PERIOD ENDED December, 2010 | | | |
| INSTRUCTIONS - Reporting of investments is required by 7 CFR 1717, Subpart N. Investment categories reported on this Part correspond to Balance Sheet items in Part C. Identify all investments in Rural Development with an 'X' in column (e). Both 'Included' and 'Excluded' Investments must be reported. See help in the online application. | | | | | |
| PART Q. SECTION II. LOAN GUARANTEES | | | | | |
| No | ORGANIZATION (a) | MATURITY DATE (b) | ORIGINAL AMOUNT (\$) (c) | LOAN BALANCE (\$) (d) | RURAL DEVELOPMENT (e) |
| 1 | NEC Weatherization Loans | 12/1/2014 | 70,976 | 41,544 | |
| 2 | NEC Computer Loans | 12/12/2012 | 23,032 | 13,140 | |
| | TOTAL | | 94,008 | 54,684 | |
| | TOTAL (Included Loan Guarantees Only) | | | | |

| UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE | | BORROWER DESIGNATION AZ0013 | | | |
|--|---------------------|--------------------------------|--------------------------------|-----------------------------|-----------------------------|
| FINANCIAL AND OPERATING REPORT ELECTRIC DISTRIBUTION INVESTMENTS, LOAN GUARANTEES AND LOANS | | PERIOD ENDED December, 2010 | | | |
| INSTRUCTIONS - Reporting of investments is required by 7 CFR 1717, Subpart N. Investment categories reported on this Part correspond to Balance Sheet items in Part C. Identify all investments in Rural Development with an 'X' in column (e). Both 'Included' and 'Excluded' Investments must be reported. See help in the online application. | | | | | |
| SECTION III. RATIO | | | | | |
| RATIO OF INVESTMENTS AND LOAN GUARANTEES TO UTILITY PLANT [Total of Included Investments (Section I, 11b) and Loan Guarantees - Loan Balance (Section II, 5d) to Total Utility Plant (Line 3, Part C) of this report] | | | | | 2.21 % |
| SECTION IV. LOANS | | | | | |
| No | ORGANIZATION (a) | MATURITY DATE (b) | ORIGINAL AMOUNT (\$) (c) | LOAN BALANCE (\$) (d) | RURAL DEVELOPMENT (e) |
| TOTAL | | | | | |

According to the Paperwork Reduction Act of 1995, an agency may not conduct or sponsor, and a person is not required to respond to, a collection of information unless it displays a valid OMB control number. The valid OMB control number for this information collection is 0572-0032. The time required to complete this information collection is estimated to average 16 hours per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information.

UNITED STATES DEPARTMENT OF AGRICULTURE
RURAL UTILITIES SERVICE

BORROWER DESIGNATION AZ0013

FINANCIAL AND STATISTICAL REPORT

PERIOD ENDED
December, 2009

INSTRUCTIONS For detailed instructions, see RUS Bulletin 1717B-2.

BORROWER NAME

This data will be used by RUS to review your financial situation. Your response is required (7 U.S.C. 901 et. seq.) and may be confidential.

NAVOPACHE ELEC COOP INC

CERTIFICATION

We recognize that statements contained herein concern a matter within the jurisdiction of an agency of the United States and the making of a false, fictitious or fraudulent statement may render the maker subject to prosecution under Title 18, United States Code Section 1001.

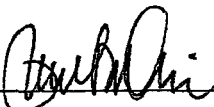
We hereby certify that the entries in this report are in accordance with the accounts and other records of the system and reflect the status of the system to the best of our knowledge and belief.

ALL INSURANCE REQUIRED BY PART 1788 OF 7 CFR CHAPTER XVII, RUS, WAS IN FORCE DURING THE REPORTING PERIOD AND RENEWALS HAVE BEEN OBTAINED FOR ALL POLICIES

DURING THE PERIOD COVERED BY THIS REPORT PURSUANT TO PART 1718 OF 7 CFR CHAPTER XVII
(check one of the following)

☒ All of the obligations under the RUS loan documents have been fulfilled in all material respects.

☐ There has been a default in the fulfillment of the obligations under the RUS loan documents. Said default(s) is/are specifically described in Part D of this report.



17 March 2010
DATE

PART A. STATEMENT OF OPERATIONS

| ITEM | YEAR-TO-DATE | | | THIS MONTH |
|--|------------------|------------------|---------------|------------|
| | LAST YEAR (a) | THIS YEAR (b) | BUDGET (c) | |
| 1. Operating Revenue and Patronage Capital | 41,673,026 | 40,128,777 | 44,059,900 | 4,149,458 |
| 2. Power Production Expense | | | | |
| 3. Cost of Purchased Power | 21,492,678 | 20,242,279 | 22,547,879 | 2,415,735 |
| 4. Transmission Expense | 106,116 | 121,523 | 136,416 | 19,751 |
| 5. Distribution Expense - Operation | 3,174,919 | 2,953,935 | 3,613,852 | 367,263 |
| 6. Distribution Expense - Maintenance | 2,108,057 | 2,911,374 | 2,242,452 | 563,115 |
| 7. Customer Accounts Expense | 2,987,443 | 3,126,261 | 3,204,546 | 355,804 |
| 8. Customer Service and Informational Expense | 328,166 | 380,356 | 365,502 | 41,869 |
| 9. Sales Expense | 262,650 | 250,021 | 286,413 | 24,960 |
| 10. Administrative and General Expense | 3,853,146 | 4,083,991 | 4,177,925 | 425,329 |
| 11. Total Operation & Maintenance Expense (2 thru 10) | 34,313,175 | 34,069,740 | 36,574,985 | 4,213,826 |
| 12. Depreciation and Amortization Expense | 3,141,332 | 3,330,061 | 3,320,862 | 285,682 |
| 13. Tax Expense - Property & Gross Receipts | 24,264 | 16,861 | 25,421 | 1,910 |
| 14. Tax Expense - Other | 27,403 | 34,355 | 42,733 | 2,349 |
| 15. Interest on Long-Term Debt | 2,310,850 | 2,097,424 | 2,537,394 | 170,954 |
| 16. Interest Charged to Construction - Credit | | | | |
| 17. Interest Expense - Other | 45,251 | 42,738 | 47,521 | 3,546 |
| 18. Other Deductions | 8,063 | 22,368 | 14,677 | 542 |
| 19. Total Cost of Electric Service (11 thru 18) | 39,870,338 | 39,613,547 | 42,563,593 | 4,678,809 |
| 20. Patronage Capital & Operating Margins (1 minus 19) | 1,802,688 | 515,230 | 1,496,307 | (529,351) |
| 21. Non Operating Margins - Interest | 185,782 | 63,965 | 134,122 | 5,036 |
| 22. Allowance for Funds Used During Construction | | | | |
| 23. Income (Loss) from Equity Investments | | | | |
| 24. Non Operating Margins - Other | (12,076) | 3,277 | (12,186) | (1,039) |
| 25. Generation and Transmission Capital Credits | | | | |
| 26. Other Capital Credits and Patronage Dividends | 337,369 | 121,370 | 181,648 | |
| 27. Extraordinary Items | | | | |
| 28. Patronage Capital or Margins (20 thru 27) | 2,313,763 | 703,842 | 1,799,891 | (525,354) |

According to the Paperwork Reduction Act of 1995, an agency may not conduct or sponsor, and a person is not required to respond to, a collection of information unless it displays a valid OMB control number. The valid OMB control number for this information collection is 0572-0032. The time required to complete this information collection is estimated to average 16 hours per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information.

UNITED STATES DEPARTMENT OF AGRICULTURE
RURAL UTILITIES SERVICE

BORROWER DESIGNATION AZ0013

FINANCIAL AND STATISTICAL REPORT

PERIOD ENDED
December, 2009

INSTRUCTIONS For detailed instructions, see RUS Bulletin 1717B-2.

BORROWER NAME

This data will be used by RUS to review your financial situation. Your response is required (7 U.S.C. 901 et. seq.) and may be confidential.

NAVOPACHE ELEC COOP INC

CERTIFICATION

We recognize that statements contained herein concern a matter within the jurisdiction of an agency of the United States and the making of a false, fictitious or fraudulent statement may render the maker subject to prosecution under Title 18, United States Code Section 1001.

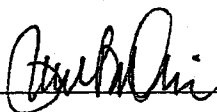
We hereby certify that the entries in this report are in accordance with the accounts and other records of the system and reflect the status of the system to the best of our knowledge and belief.

ALL INSURANCE REQUIRED BY PART 1788 OF 7 CFR CHAPTER XVII, RUS, WAS IN FORCE DURING THE REPORTING PERIOD AND RENEWALS HAVE BEEN OBTAINED FOR ALL POLICIES

DURING THE PERIOD COVERED BY THIS REPORT PURSUANT TO PART 1718 OF 7 CFR CHAPTER XVII
(check one of the following)

☒ All of the obligations under the RUS loan documents have been fulfilled in all material respects.

☐ There has been a default in the fulfillment of the obligations under the RUS loan documents. Said default(s) is/are specifically described in Part D of this report.



17 March 2010
DATE

PART A. STATEMENT OF OPERATIONS

| ITEM | YEAR-TO-DATE | | | THIS MONTH (d) |
|--|------------------|------------------|---------------|-------------------|
| | LAST YEAR (a) | THIS YEAR (b) | BUDGET (c) | |
| 1. Operating Revenue and Patronage Capital | 41,673,026 | 40,128,777 | 44,059,900 | 4,149,458 |
| 2. Power Production Expense | | | | |
| 3. Cost of Purchased Power | 21,492,678 | 20,242,279 | 22,547,879 | 2,415,735 |
| 4. Transmission Expense | 106,116 | 121,523 | 136,416 | 19,751 |
| 5. Distribution Expense - Operation | 3,174,919 | 2,953,935 | 3,613,852 | 367,263 |
| 6. Distribution Expense - Maintenance | 2,108,057 | 2,911,374 | 2,242,452 | 563,115 |
| 7. Customer Accounts Expense | 2,987,443 | 3,126,261 | 3,204,546 | 355,804 |
| 8. Customer Service and Informational Expense | 328,166 | 380,356 | 365,502 | 41,869 |
| 9. Sales Expense | 262,650 | 250,021 | 286,413 | 24,960 |
| 10. Administrative and General Expense | 3,853,146 | 4,083,991 | 4,177,925 | 425,329 |
| 11. Total Operation & Maintenance Expense (2 thru 10) | 34,313,175 | 34,069,740 | 36,574,985 | 4,213,826 |
| 12. Depreciation and Amortization Expense | 3,141,332 | 3,330,061 | 3,320,862 | 285,682 |
| 13. Tax Expense - Property & Gross Receipts | 24,264 | 16,861 | 25,421 | 1,910 |
| 14. Tax Expense - Other | 27,403 | 34,355 | 42,733 | 2,349 |
| 15. Interest on Long-Term Debt | 2,310,850 | 2,097,424 | 2,537,394 | 170,954 |
| 16. Interest Charged to Construction - Credit | | | | |
| 17. Interest Expense - Other | 45,251 | 42,738 | 47,521 | 3,546 |
| 18. Other Deductions | 8,063 | 22,368 | 14,677 | 542 |
| 19. Total Cost of Electric Service (11 thru 18) | 39,870,338 | 39,613,547 | 42,563,593 | 4,678,809 |
| 20. Patronage Capital & Operating Margins (1 minus 19) | 1,802,688 | 515,230 | 1,496,307 | (529,351) |
| 21. Non Operating Margins - Interest | 185,782 | 63,965 | 134,122 | 5,036 |
| 22. Allowance for Funds Used During Construction | | | | |
| 23. Income (Loss) from Equity Investments | | | | |
| 24. Non Operating Margins - Other | (12,076) | 3,277 | (12,186) | (1,039) |
| 25. Generation and Transmission Capital Credits | | | | |
| 26. Other Capital Credits and Patronage Dividends | 337,369 | 121,370 | 181,648 | |
| 27. Extraordinary Items | | | | |
| 28. Patronage Capital or Margins (20 thru 27) | 2,313,763 | 703,842 | 1,799,891 | (525,354) |

| | |
|--|--|
| USDA · RUS FINANCIAL AND STATISTICAL REPORT INSTRUCTIONS - See RUS Bulletin 1717B-2 | BORROWER DESIGNATION PERIOD ENDED |
|--|--|

PART E. CHANGES IN UTILITY PLANT

| PLANT ITEM | BALANCE BEGINNING OF YEAR (a) | ADDITIONS (b) | RETIREMENTS (c) | ADJUSTMENTS AND TRANSFER (d) | BALANCE END OF YEAR (e) |
|--|--|------------------|--------------------|------------------------------------|-------------------------------|
| 1. Distribution Plant | 82,343,686 | 6,905,632 | 3,103,503 | | 86,145,815 |
| 2. General Plant | 12,090,953 | 977,725 | 1,495,389 | | 11,573,289 |
| 3. Headquarters Plant | 1,989,758 | 31,991 | 15,284 | | 2,006,465 |
| 4. Intangibles | 228,075 | | | | 228,075 |
| 5. Transmission Plant | 12,018,488 | 85,599 | 42,799 | | 12,061,288 |
| 6. All Other Utility Plant | 621,665 | | | | 621,665 |
| 7. Total Utility Plant in Service (1 thru 6) | 109,292,625 | 8,000,947 | 4,656,975 | | 112,636,597 |
| 8. Construction Work in Progress | 2,775,049 | 2,222,315 | | | 4,997,364 |
| 9. TOTAL UTILITY PLANT (7 + 8) | 112,067,674 | 10,223,262 | 4,656,975 | | 117,633,961 |

PART F. MATERIALS AND SUPPLIES

| ITEM | BALANCE BEGINNING OF YEAR (a) | PURCHASED (b) | SALVAGED (c) | USED (NET) (d) | SOLD (e) | ADJUSTMENT (f) | BALANCE END OF YEAR (g) |
|-------------|--|------------------|-----------------|-------------------|-------------|-------------------|-------------------------------|
| 1. Electric | 3,241,320 | 2,448,909 | 105,407 | 1,613,950 | 4,589 | (29,416) | 4,147,681 |
| 2. Other | 137,478 | 104,112 | | 160,948 | | (475) | 80,167 |

PART G. SERVICE INTERRUPTIONS

| ITEM | AVERAGE MINUTES PER CONSUMER BY CAUSE | | | | TOTAL |
|----------------------|---------------------------------------|--------------------|----------------|------------------|---------|
| | POWER SUPPLIER (a) | MAJOR EVENT (b) | PLANNED (c) | ALL OTHER (d) | (e) |
| 1. Present Year | 129,420 | 368,480 | 48,120 | 284,050 | 830,070 |
| 2. Five-Year Average | 25,880 | 73,690 | 9,620 | 56,810 | 166,000 |

PART H. EMPLOYEE-HOUR AND PAYROLL STATISTICS

| | | | |
|---|---------|--------------------------|-----------|
| 1. Number of Full Time Employees | 118 | 4. Payroll - Expensed | 6,115,692 |
| 2. Employee - Hours Worked - Regular Time | 250,618 | 5. Payroll - Capitalized | 1,975,751 |
| 3. Employee - Hours Worked - Overtime | 9,590 | 6. Payroll - Other | 557,092 |

PART I. PATRONAGE CAPITAL

| ITEM | DESCRIPTION | THIS YEAR (a) | CUMULATIVE (b) |
|------------------------------------|---|------------------|-------------------|
| 1. Capital Credits - Distributions | a. General Retirements | | 2,654,881 |
| | b. Special Retirements | 146,947 | 1,725,011 |
| | c. Total Retirements (a + b) | 146,947 | 4,379,892 |
| 2. Capital Credits - Received | a. Cash Received From Retirement of Patronage Capital by Suppliers of Electric Power | | |
| | b. Cash Received From Retirement of Patronage Capital by Lenders for Credit Extended to the Electric System | 15,622 | |
| | c. Total Cash Received (a + b) | 15,622 | |

PART J. DUE FROM CONSUMERS FOR ELECTRIC SERVICE

| | | | |
|-------------------------------|---------|--------------------------------------|--------|
| 1. AMOUNT DUE OVER 60 DAYS \$ | 111,581 | 2. AMOUNT WRITTEN OFF DURING YEAR \$ | 98,760 |
|-------------------------------|---------|--------------------------------------|--------|

USDA-RUS

FINANCIAL AND STATISTICAL REPORT

INSTRUCTIONS - See RUS Bulletin 1717B-2

BORROWER DESIGNATION

AZ0013

PERIOD ENDED

December, 2009

PART D. NOTES TO FINANCIAL STATEMENTS

During December 2009 Navopache experienced extremely heavy snow storms and incurred \$401,377 of related storm expenses

USDA-RUS

FINANCIAL AND STATISTICAL REPORT

INSTRUCTIONS - See RUS Bulletin 1717B-2

BORROWER DESIGNATION

AZ0013

PERIOD ENDED

December, 2009

Part K. kWh PURCHASED AND TOTAL COST

| No | ITEM (a) | RUS USE ONLY SUPPLIER CODE (b) | kWh PURCHASED (c) | TOTAL COST (d) | AVERAGE COST (Cents/kWh) (e) | INCLUDED IN TOTAL COST - FUEL COST ADJUSTMENT (f) | INCLUDED IN TOTAL COST - WHEELING AND OTHER CHARGES (g) |
|----|------------------------------|--------------------------------------|----------------------|-------------------|------------------------------------|---|---|
| 1 | Public Service Company of NM | 15473 | 432,450,856 | 19,638,583 | 4.54 | | |
| 2 | Western Area Power Admin | 27000 | 26,500,353 | 722,656 | 2.73 | | |
| 3 | *Adjustments | 600000 | | (118,960) | 0.00 | | |
| | Total | | 458,951,209 | 20,242,279 | 4.41 | | |

USDA-RUS

FINANCIAL AND STATISTICAL REPORT

INSTRUCTIONS - See RUS Bulletin 1717B-2

BORROWER DESIGNATION

AZ0013

PERIOD ENDED

December, 2009

PART L. LONG-TERM LEASES

| No | NAME OF LESSOR (a) | TYPE OF PROPERTY (b) | RENTAL THIS YEAR (c) |
|----|-------------------------------|-------------------------|-------------------------|
| 1 | Arizona State Land Department | Land, ROW | 14,283 |
| 2 | Phillip Swapp | Land | 1,000 |
| 3 | Jeanne Hatch | Land | 3,600 |
| 4 | Earl Properties | Land | 3,600 |
| 5 | Jefferson Larson | Land | 46,800 |
| 6 | Tensey Houghton | ROW | 50 |
| | Total | | 69,333 |

| | | | |
|---|---------------------------------------|--|---|
| USDA RUS | | BORROWER DESIGNATION | |
| FINANCIAL AND STATISTICAL REPORT | | AZ0013 | |
| INSTRUCTIONS See RUS Bulletin 1717B-2 | | PERIOD ENDED | |
| | | December 2009 | |
| PART M. ANNUAL MEETING AND BOARD DATA | | | |
| 1. Date of Last Annual Meeting 9/19/2009 | 2. Total Number of Members 32,600 | 3. Number of Members Present at Meeting 277 | 4. Was Quorum Present? Y |
| 5. Number of Members Voting by Proxy or Mail 2,320 | 6. Total Number of Board Members 8 | 7. Total Amount of Fees and Expenses for Board Members \$ 170 130 | 8. Does Manager Have Written Contract? N |

USDA-RUS

FINANCIAL AND STATISTICAL REPORT

INSTRUCTIONS - See RUS Bulletin 1717B-2

BORROWER DESIGNATION

AZ0013

PERIOD ENDED

December, 2009

PART N. LONG-TERM DEBT AND DEBT SERVICE REQUIREMENTS

| No | ITEM | BALANCE END OF YEAR (a) | INTEREST (Billed This Year) (b) | PRINCIPAL (Billed This Year) (c) | TOTAL (Billed This Year) (d) |
|----|---|----------------------------|---------------------------------------|--|------------------------------------|
| 1 | Rural Utilities Service (Excludes RUS - Economic Development Loans) | 48,482,945 | 1,768,599 | 1,645,087 | 3,413,686 |
| 2 | National Rural Utilities Cooperative Finance Corporation | 4,448,409 | 328,825 | 755,262 | 1,084,087 |
| 3 | Bank for Cooperatives | | | | |
| 4 | Federal Financing Bank | | | | |
| 5 | RUS - Economic Development Loans | | | | |
| 6 | Payments Unapplied | | | | |
| | Total | 52,931,354 | 2,097,424 | 2,400,349 | 4,497,773 |

| USDA RUS | | BORROWER DESIGNATION | | |
|--|-------------------------------|----------------------|-------------------------------------|---------------------------|
| FINANCIAL AND STATISTICAL REPORT | | AZ0013 | | |
| INSTRUCTIONS - See RUS Bulletin 1717B-2 | | PERIOD ENDED | | |
| | | December 2009 | | |
| PART O. POWER REQUIREMENTS DATA BASE - ANNUAL SUMMARY | | | | |
| CLASSIFICATION | CONSUMER SALES & REVENUE DATA | DECEMBER (a) | AVERAGE NO. CONSUMERS SERVED (b) | TOTAL YEAR TO DATE (c) |
| 1. Residential Sales (excluding seasonal) | a. No. Consumers Served | 24 517 | 24 534 | |
| | b. kWh Sold | | | 210,675,162 |
| | c. Revenue | | | 20,291,219 |
| 2. Residential Sales - Seasonal | a. No. Consumers Served | 11 617 | 11,786 | |
| | b. kWh Sold | | | 32,977,719 |
| | c. Revenue | | | 4,821,317 |
| 3. Irrigation Sales | a. No. Consumers Served | 61 | 60 | |
| | b. kWh Sold | | | 6,169,620 |
| | c. Revenue | | | 546,524 |
| 4. Comm. and Ind. 1000 KVA or Less | a. No. Consumers Served | 3 709 | 3,733 | |
| | b. kWh Sold | | | 143,741,646 |
| | c. Revenue | | | 12,045,473 |
| 5. Comm. and Ind. Over 1000 KVA | a. No. Consumers Served | 9 | 9 | |
| | b. kWh Sold | | | 24,778,680 |
| | c. Revenue | | | 1,576,662 |
| 6. Public Street & Highway Lighting | a. No. Consumers Served | 97 | 97 | |
| | b. kWh Sold | | | 694,345 |
| | c. Revenue | | | 92,089 |
| 7. Other Sales to Public Authorities | a. No. Consumers Served | | | |
| | b. kWh Sold | | | |
| | c. Revenue | | | |
| 8. Sales for Resale - RUS Borrowers | a. No. Consumers Served | | | |
| | b. kWh Sold | | | |
| | c. Revenue | | | |
| 9. Sales for Resale - Other | a. No. Consumers Served | | | |
| | b. kWh Sold | | | |
| | c. Revenue | | | |
| 10. TOTAL No. of Consumers (lines 1a thru 9a) | | 40 010 | 40 219 | |
| 11. TOTAL kWh Sold (lines 1b thru 9b) | | | | 419,037,172 |
| 12. TOTAL Revenue Received From Sales of Electric Energy (line 1c thru 9c) | | | | 39,373,284 |
| 13. Other Electric Revenue | | | | 755,493 |
| 14. kWh - Own Use | | | | 1,193,330 |
| 15. TOTAL kWh Purchased | | | | 458,951,209 |
| 16. TOTAL kWh Generated | | | | |
| 17. Cost of Purchases and Generation | | | | 20,363,802 |
| 18. Interchange - kWh - Net | | | | |
| 19. Peak - Sum All kW Input (Metered) Non-coincident _____ Coincident _____ | | | | 86,142 |

USDA-RUS

FINANCIAL AND STATISTICAL REPORT

INSTRUCTIONS See RUS Bulletin 1717B-2

BORROWER DESIGNATION

AZ0013

PERIOD ENDED

December, 2009

PART I. INVESTMENTS

| No | DESCRIPTION (a) | INCLUDED (\$) (b) | EXCLUDED (\$) (c) | INCOME OR LOSS (\$) (d) | RURAL DEVELOPMENT (e) |
|-----------|--|-------------------------|-------------------------|-------------------------------|--------------------------|
| 2 | Investments in Associated Organizations | | | | |
| | CFC Patronage Capital | 252,386 | | 31,244 | |
| | ERMCO Patronage Capital | 261,975 | | 72,830 | |
| | NISC Patronage Capital | 50,142 | | | |
| | AECI Patronage Capital | 1,200 | | 819 | |
| | Federated Patronage Capital | 151,345 | | 16,477 | |
| | Touch Stone Patronage Capital | 366 | | | |
| | CFC Capital Securities | 100,000 | | | |
| | ERMCO Membership | 100 | | | |
| | GCSECA Membership | 100 | | | |
| | CFC Capital Term Certificates | 1,339,907 | | 58,259 | |
| | Totals | 2,157,521 | | 179,629 | |
| 4 | Other Investments | | | | |
| | RUS ERC Weatherization | 50,136 | | 2,529 | |
| | Totals | 50,136 | | 2,529 | |
| 6 | Cash - General | | | | |
| | Cash - General Sweep | | (369,297) | | |
| | Totals | | (369,297) | | |
| 7 | Special Deposits | | | | |
| | Arizona Corporation Commission REST | 1,199,069 | | | |
| | Totals | 1,199,069 | | | |
| 8 | Temporary Investments | | | | |
| | JP Morgan Chase - Sweep | | 4,333,490 | | |
| | Totals | | 4,333,490 | | |
| 9 | Accounts and Notes Receivable - NET | | | | |
| | Accounts and Notes Receivable - General | 130,035 | | 679 | |
| | Totals | 130,035 | | 679 | |
| 11 | TOTAL INVESTMENTS (1 thru 10) | 3,536,761 | 3,964,193 | 182,837 | |

USDA-RUS

FINANCIAL AND STATISTICAL REPORT

INSTRUCTIONS - See RUS Bulletin 1717B-2

BORROWER DESIGNATION

AZ0013

PERIOD ENDED

December, 2009

PART II. LOAN GUARANTEES

| No | ORGANIZATION (a) | MATURITY DATE (b) | ORIGINAL AMOUNT (\$) (c) | LOAN BALANCE (\$) (d) | RURAL DEVELOPMENT (e) |
|----|---------------------------------------|----------------------|--------------------------------|-----------------------------|--------------------------|
| 1 | NEC Weatherization Loans | 12/1/2014 | 83,214 | 50,136 | |
| 2 | NEC Computer Loans | 11/1/2011 | 20,491 | 10,090 | |
| | Total | | 103,705 | 60,226 | |
| | TOTAL (Included Loan Guarantees Only) | | | | |

USDA-RUS

FINANCIAL AND STATISTICAL REPORT

INSTRUCTIONS - See RUS Bulletin 1717B-2

BORROWER DESIGNATION

AZ0013

PERIOD ENDED

December, 2009

Part III. RATIO

RATIO OF INVESTMENTS AND LOAN GUARANTEES TO UTILITY PLANT

(Total Of Included Investments (Part I, 11b) and Loan Guarantees - Loan Balance (Part II, 5d) to Total Utility Plant (Form 7, Part C, Line 3))

3 %

PART IV. LOANS

| No | ORGANIZATION (a) | MATURITY DATE (b) | ORIGINAL AMOUNT (\$) (c) | LOAN BALANCE (\$) (d) | RURAL DEVELOPMENT (e) |
|----|---------------------|----------------------|--------------------------------|-----------------------------|--------------------------|
| | Total | | | | |

Navopache Electric Cooperative, Inc.
Financial Reports
April 2010

| | |
|--|----|
| Index | 1 |
| Operating Statement | 2 |
| Assets and Debits | 3 |
| Liabilities and Credits | 4 |
| Operating Statement This Year to Last Year | 5 |
| Operating Statement this Year to Budget | 6 |
| Operating Statement Rolling 12 Months | 7 |
| Operating Statement Rolling 12 Months breakout | 8 |
| Budget to Actual, 12 month rolling | 9 |
| Graph rolling kWh | 10 |
| Sales, COP, and kWh comparisons | 11 |
| Rolling Common Size | 12 |
| Balance Sheet | 13 |
| Cash Flow Statement | 14 |
| 2010 Monthly Budget | 15 |

| Line | Year-To-Date | | Budget | This Month |
|--|----------------|----------------|--------|---------------|
| | Last Year | This Year | | |
| Operating Revenue and Patronage Capital | 13,595,460.97- | 15,031,803.50- | 0.00 | 3,409,323.14- |
| Power Production Expense | 0.00 | 0.00 | 0.00 | 0.00 |
| Cost of Purchased Power | 6,545,104.97 | 7,949,336.68 | 0.00 | 1,831,180.45 |
| Transmission Expense | 26,207.61 | 46,000.19 | 0.00 | 19,812.85 |
| Distribution Expense - Operation | 1,274,363.09 | 1,085,598.85 | 0.00 | 298,264.71 |
| Distribution Expense - Maintenance | 800,111.06 | 787,069.56 | 0.00 | 259,193.86- |
| Customer Accounts Expense | 1,117,708.53 | 1,011,259.37 | 0.00 | 328,107.99 |
| Customer Service and Informational Expense | 120,272.26 | 91,986.03 | 0.00 | 32,392.29 |
| Sales Expense | 103,463.85 | 80,384.10 | 0.00 | 27,011.06 |
| Administrative and General Expense | 1,339,443.39 | 1,333,063.56 | 0.00 | 415,754.98 |
| Total Operation & Maintenance Expense (2 thru 10) | 11,326,674.76 | 12,384,698.34 | 0.00 | 2,693,330.47 |
| Depreciation & Amortization Expense | 1,079,691.88 | 1,146,187.11 | 0.00 | 287,020.57 |
| Tax Expense - Property & Gross Receipts | 4,985.53 | 2,273.46 | 0.00 | 1,705.16 |
| Tax Expense - Other | 13,185.05 | 16,596.08 | 0.00 | 2,096.14 |
| Interest on Long-Term Debt | 704,316.55 | 693,894.73 | 0.00 | 174,273.30 |
| Interest Charged to Construction - Credit | 0.00 | 0.00 | 0.00 | 0.00 |
| Interest Expense - Other | 14,353.78 | 13,994.47 | 0.00 | 3,482.77 |
| Other Deductions | 18,153.06 | 48,578.83 | 0.00 | 542.32 |
| Total Cost of Electric Service (11 thru 18) | 13,161,360.61 | 14,306,223.02 | 0.00 | 3,162,450.73 |
| Patronage Capital & Operating Margins (1 minus 19) | 434,100.36- | 725,580.48- | 0.00 | 246,872.41- |
| Non Operating Margins - Interest | 21,790.03- | 24,239.36- | 0.00 | 8,780.79- |
| Allowance for Funds Used During Construction | 0.00 | 0.00 | 0.00 | 0.00 |
| Income (Loss) from Equity Investments | 0.00 | 0.00 | 0.00 | 0.00 |
| Non Operating Margins - Other | 4,782.17- | 604.82 | 0.00 | 1,197.34 |
| Generation and Transmission Capital Credits | 0.00 | 0.00 | 0.00 | 0.00 |
| Other Capital Credits and Patronage Dividends | 16,477.00- | 31,103.98- | 0.00 | 0.00 |
| Extraordinary Items | 0.00 | 0.00 | 0.00 | 0.00 |
| Patronage Capital or Margins (20 thru 27) | 477,149.56- | 780,319.00- | 0.00 | 254,455.86- |
| Operating - Margin | 450,577.36- | 756,684.46- | 0.00 | 246,872.41- |
| Nonoperating - Margin | 26,572.20- | 23,634.54- | 0.00 | 7,583.45- |
| Operating - Times Interest Earned Ratio | 1.6163 | 2.0457 | | |
| Net - Times Interest Earned Ratio | 1.6775 | 2.1245 | | |
| Modified - Times Interest Earned Ratio | 1.6541 | 2.0797 | | |

Navopache Electric Cooperative
RUS Form 7
BALANCE SHEET FOR APRIL 2010Page: 3 003
Proc: glob 57.0001

| | Line | Year-To-Date This Year | Last Year | Variance |
|---|------|---------------------------|----------------|--------------|
| ASSETS AND OTHER DEBITS | | | | |
| Total Utility Plant in Service | 01 | 113,319,507.93 | 109,784,322.46 | 3,535,185.47 |
| Construction Work in Progress | 02 | 6,413,602.09 | 3,156,710.68 | 3,256,891.41 |
| Total Utility Plant (1 + 2) | 03 | 119,733,110.02 | 112,941,033.14 | 6,792,076.88 |
| Accum. Provision for Depreciation and Amort. | 04 | 48,603,437.28 | 46,087,268.36 | 2,516,168.92 |
| Net Utility Plant (3 - 4) | 05 | 71,129,672.74 | 66,853,764.78 | 4,275,907.96 |
| Non-Utility Property (Net) | 06 | 0.00 | 0.00 | 0.00 |
| Invest. in Subsidiary Companies | 07 | 0.00 | 0.00 | 0.00 |
| Invest. in Assoc. Org. - Patronage Capital | 08 | 737,712.35 | 530,398.96 | 207,313.39 |
| Invest. in Assoc. Org. - Other - General Funds | 09 | 100,200.00 | 156,346.80 | 56,146.80 |
| Invest. in Assoc. Org. - Other - Nongeneral Funds | 10 | 1,336,119.29 | 1,339,907.20 | 3,787.91 |
| Invest. in Economic Development Projects | 11 | 0.00 | 0.00 | 0.00 |
| Other Investments | 12 | 40,918.45 | 55,408.68 | 14,490.23 |
| Special Funds | 13 | 0.00 | 0.00 | 0.00 |
| Total Other Property & Investments (6 thru 13) | 14 | 2,214,950.09 | 2,082,061.64 | 132,888.45 |
| Cash - General Funds | 15 | 633,069.56 | 47,277.41 | 585,792.15 |
| Cash - Construction Funds - Trustee | 16 | 5.00 | 5.00 | 0.00 |
| Special Deposits | 17 | 1,199,068.90 | 47,568.14 | 1,151,500.76 |
| Temporary Investments | 18 | 8,459,002.92 | 12,672,016.84 | 4,213,013.92 |
| Notes Receivable (Net) | 19 | 7,059.84 | 14,259.03 | 7,199.19 |
| Accounts Receivable - Sales of Energy (Net) | 20 | 3,016,567.14 | 2,484,231.08 | 532,336.06 |
| Accounts Receivable - Other (Net) | 21 | 605,168.28 | 106,205.07 | 498,963.21 |
| Material and Supplies - Electric & Other | 22 | 3,198,134.31 | 3,194,520.28 | 3,614.03 |
| Prepayments | 23 | 344,538.83 | 312,358.38 | 32,180.45 |
| Other Current and Accrued Assets | 24 | 90,985.03 | 367,925.42 | 276,940.39 |
| Total Current and Accrued Assets (15 thru 24) | 25 | 17,553,599.81 | 19,246,366.65 | 1,692,766.84 |
| Regulatory Assets | 26 | 0.00 | 0.00 | 0.00 |
| Other Deferred Debits | 27 | 992,286.02 | 401,122.24 | 591,163.78 |
| Total Assets and Other Debits (5 + 14 + 25 thru 27) | 28 | 91,890,508.66 | 88,583,315.31 | 3,307,193.35 |

LIABILITIES AND OTHER CREDITS

| | Year-To-Date | | | Variance |
|---|--------------|----------------|----------------|---------------|
| | Line | This Year | Last Year | |
| Memberships | | | | |
| Patronage Capital | 29 | 163,155.00- | 163,355.00- | 200.00 |
| Operating Margins - Prior Years | 30 | 24,285,338.75- | 23,795,847.47- | 489,491.28- |
| Operating Margins - Current Year | 31 | 3,074,456.29 | 3,141,699.06 | 67,242.77- |
| Non-Operating Margins | 32 | 756,684.46- | 450,577.36- | 306,107.10- |
| Other Margins and Equities | 33 | 23,634.54- | 26,572.20- | 2,937.66 |
| | 34 | 852,566.54- | 775,176.13- | 77,390.41- |
| Total Margins & Equities (29 thru 34) | 35 | 23,006,923.00- | 22,069,829.10- | 937,093.90- |
| Long-Term Debt - RUS (Net) | 36 | 54,577,969.92- | 51,342,654.30- | 3,235,315.62- |
| Long-Term Debt - FFB - RUS Guaranteed | 37 | 0.00 | 0.00 | 0.00 |
| Long-Term Debt - Other - RUS Guaranteed | 38 | 0.00 | 0.00 | 0.00 |
| Long-Term Debt - Other (Net) | 39 | 5,035,649.00- | 5,765,188.21- | 729,539.21 |
| Long-Term Debt - RUS Econ. Devel. (Net) | 40 | 0.00 | 0.00 | 0.00 |
| Payments - Unapplied | 41 | 0.00 | 0.00 | 0.00 |
| Total Long-Term Debt (36 thru 40-41) | 42 | 59,613,618.92- | 57,107,842.51- | 2,505,776.41- |
| Obligations Under Capital Leases - Noncurrent | 43 | 0.00 | 0.00 | 0.00 |
| Accumulated Operating Provisions | 44 | 1,461,700.00- | 1,372,555.40- | 89,144.60- |
| Total Other Noncurrent Liabilities (43 + 44) | 45 | 1,461,700.00- | 1,372,555.40- | 89,144.60- |
| Notes Payable | 46 | 0.00 | 0.00 | 0.00 |
| Accounts Payable | 47 | 2,254,589.10- | 1,483,796.09- | 770,793.01- |
| Consumers Deposits | 48 | 726,403.71- | 750,733.71- | 24,330.00 |
| Current Maturities Long-Term Debt | 49 | 0.00 | 0.00 | 0.00 |
| Current Maturities Long-Term Debt - Econ. Devel. | 50 | 0.00 | 0.00 | 0.00 |
| Current Maturities Capital Leases | 51 | 0.00 | 0.00 | 0.00 |
| Other Current and Accrued Liabilities | 52 | 1,467,662.18- | 1,454,288.91- | 13,373.27- |
| Total Current & Accrued Liabilities (46 thru 52) | 53 | 4,448,654.99- | 3,688,818.71- | 759,836.28- |
| Regulatory Liabilities | 54 | 0.00 | 0.00 | 0.00 |
| Other Deferred Credits | 55 | 3,359,611.75- | 4,344,269.59- | 984,657.84 |
| Total Liab. & Other Credits (35+42+45+53 thru 55) | 56 | 91,890,508.66- | 88,583,315.31- | 3,307,193.35- |

Current Assets to Current Liabilities
Margins & Equities to Total Assets
Long-Term Debt to Total Utility Plant

Ratio of 3.9458 to 1
Ratio of 25.0373 %
Ratio of 49.7888 %

Ratio of 5.2175 to 1
Ratio of 24.9142 %
Ratio of 50.5643 %

Navopache Electric Cooperative, Inc.
Financial Reports **PRELIMINARY**
April 2009

| | |
|--|----|
| Index | 1 |
| Operating Statement | 2 |
| Assets and Debits | 3 |
| Liabilities and Credits | 4 |
| Operating Statement This Year to Last Year | 5 |
| Operating Statement this Year to Budget | 6 |
| Operating Statement Rolling 12 Months | 7 |
| Budget to Actual, 12 month rolling | 8 |
| Common Size | 9 |
| Balance Sheet | 10 |
| Cash Flow Statement | 11 |
| 2009 Monthly Budget | 12 |

PRELIMINARY

| Line | Year-To-Date | | Budget | This Month |
|--|----------------|----------------|--------|---------------|
| | Last Year | This Year | | |
| Operating Revenue and Patronage Capital | 14,823,602.18- | 13,595,460.97- | 0.00 | 2,925,140.06- |
| Power Production Expense | 0.00 | 0.00 | 0.00 | 0.00 |
| Cost of Purchased Power | 7,655,251.12 | 6,545,104.97 | 0.00 | 1,318,639.24 |
| Transmission Expense | 45,466.21 | 26,207.61 | 0.00 | 8,835.18 |
| Distribution Expense - Operation | 1,161,441.98 | 1,274,363.09 | 0.00 | 360,525.58 |
| Distribution Expense - Maintenance | 656,032.35 | 800,111.06 | 0.00 | 340,865.85 |
| Customer Accounts Expense | 992,262.39 | 1,117,708.53 | 0.00 | 376,583.49 |
| Customer Service and Informational Expense | 80,078.11 | 120,272.26 | 0.00 | 41,128.88 |
| Sales Expense | 99,438.98 | 103,463.85 | 0.00 | 29,679.03 |
| Administrative and General Expense | 1,318,472.59 | 1,339,443.39 | 0.00 | 380,592.13 |
| Total Operation & Maintenance Expense (2 thru 10) | 12,008,443.73 | 11,326,674.76 | 0.00 | 2,856,849.38 |
| Depreciation & Amortization Expense | 1,023,419.72 | 1,079,691.88 | 0.00 | 271,057.06 |
| Tax Expense - Property & Gross Receipts | 7,795.83 | 4,985.53 | 0.00 | 505.03 |
| Tax Expense - Other | 7,725.34 | 13,185.05 | 0.00 | 3,941.78 |
| Interest on Long-Term Debt | 813,460.27 | 704,316.55 | 0.00 | 162,437.23 |
| Interest Charged to Construction - Credit | 0.00 | 0.00 | 0.00 | 0.00 |
| Interest Expense - Other | 15,277.92 | 14,353.78 | 0.00 | 3,602.00 |
| Other Deductions | 3,723.95 | 18,153.06 | 0.00 | 16,526.10 |
| Total Cost of Electric Service (11 thru 18) | 13,879,846.76 | 13,161,360.61 | 0.00 | 3,314,918.88 |
| Patronage Capital & Operating Margins (1 minus 19) | 943,755.42- | 434,100.36- | 0.00 | 389,778.82 |
| Non Operating Margins - Interest | 91,230.99- | 21,790.03- | 0.00 | 4,913.39- |
| Allowance for Funds Used During Construction | 0.00 | 0.00 | 0.00 | 0.00 |
| Income (Loss) from Equity Investments | 0.00 | 0.00 | 0.00 | 0.00 |
| Non Operating Margins - Other | 7,752.82 | 4,782.17- | 0.00 | 809.65- |
| Generation and Transmission Capital Credits | 0.00 | 0.00 | 0.00 | 0.00 |
| Other Capital Credits and Patronage Dividends | 26,848.00- | 16,477.00- | 0.00 | 0.00 |
| Extraordinary Items | 0.00 | 0.00 | 0.00 | 0.00 |
| Patronage Capital or Margins (20 thru 27) | 1,054,081.59- | 477,149.56- | 0.00 | 384,055.78 |
| Operating - Margin | 970,603.42- | 450,577.36- | 0.00 | 389,778.82 |
| Nonoperating - Margin | 83,478.17- | 26,572.20- | 0.00 | 5,723.04- |
| Operating - Times Interest Earned Ratio | 2.1602 | 1.6163 | | |
| Net - Times Interest Earned Ratio | 2.2958 | 1.6775 | | |
| Modified - Times Interest Earned Ratio | 2.2628 | 1.6541 | | |

ASSETS AND OTHER DEBITS

| | | | | | |
|---|--|----|----------------|----------------|--------------|
| Total Utility Plant in Service | | 01 | 109,784,322.46 | 104,927,336.74 | 4,856,985.72 |
| Construction Work in Progress | | 02 | 3,156,710.68 | 3,758,166.99 | 601,456.31 |
| ----- | | | | | |
| Total Utility Plant (1 + 2) | | 03 | 112,941,033.14 | 108,685,503.73 | 4,255,529.41 |
| Accum. Provision for Depreciation and Amort. | | 04 | 46,087,268.36 | 44,427,164.05 | 1,660,104.31 |
| ----- | | | | | |
| Net Utility Plant (3 - 4) | | 05 | 66,853,764.78 | 64,258,339.68 | 2,595,425.10 |
| ----- | | | | | |
| Non-Utility Property (Net) | | 06 | 0.00 | 0.00 | 0.00 |
| Invest. in Subsidiary Companies | | 07 | 0.00 | 0.00 | 0.00 |
| Invest. in Assoc. Org. - Patronage Capital | | 08 | 530,398.96 | 354,830.48 | 175,568.48 |
| Invest. in Assoc. Org. - Other - General Funds | | 09 | 156,346.80 | 145,689.80 | 10,657.00 |
| Invest. in Assoc. Org. - Other - Nongeneral Funds | | 10 | 1,339,907.20 | 1,343,476.10 | 3,568.90 |
| Invest. in Economic Development Projects | | 11 | 0.00 | 0.00 | 0.00 |
| Other Investments | | 12 | 55,408.68 | 41,322.38 | 14,086.30 |
| Special Funds | | 13 | 0.00 | 0.00 | 0.00 |
| ----- | | | | | |
| Total Other Property & Investments (6 thru 13) | | 14 | 2,082,061.64 | 1,885,318.76 | 196,742.88 |
| ----- | | | | | |
| Cash - General Funds | | 15 | 47,277.41 | 588,667.39 | 541,389.98 |
| Cash - Construction Funds - Trustee | | 16 | 5.00 | 5.00 | 0.00 |
| Special Deposits | | 17 | 47,568.14 | 362,591.84 | 315,023.70 |
| Temporary Investments | | 18 | 12,672,016.84 | 6,973,676.68 | 5,698,340.16 |
| Notes Receivable (Net) | | 19 | 14,259.03 | 6,940.55 | 7,318.48 |
| Accounts Receivable - Sales of Energy (Net) | | 20 | 2,484,231.08 | 2,670,777.06 | 186,545.98 |
| Accounts Receivable - Other (Net) | | 21 | 106,205.07 | 42,148.87 | 64,056.20 |
| Material and Supplies - Electric & Other | | 22 | 3,194,520.28 | 3,204,038.64 | 9,518.36 |
| Prepayments | | 23 | 312,358.38 | 292,973.08 | 19,385.30 |
| Other Current and Accrued Assets | | 24 | 367,925.42 | 79,712.01 | 288,213.41 |
| ----- | | | | | |
| Total Current and Accrued Assets (15 thru 24) | | 25 | 19,246,366.65 | 14,221,531.12 | 5,024,835.53 |
| ----- | | | | | |
| Regulatory Assets | | 26 | 0.00 | 0.00 | 0.00 |
| Other Deferred Debits | | 27 | 401,122.24 | 417,042.62 | 15,920.38 |
| ----- | | | | | |
| Total Assets and Other Debits (5 + 14 + 25 thru 27) | | 28 | 88,583,315.31 | 80,782,232.18 | 7,801,083.13 |

PRELIMINARY

PRELIMINARY

| Line | | Year-To-Date This Year | Last Year | Variance |
|---|--|---------------------------|----------------|---------------|
| LIABILITIES AND OTHER CREDITS | | | | |
| Memberships | | | | |
| 29 | Patronage Capital | 163,355.00- | 162,745.00- | 610.00- |
| 30 | Operating Margins - Prior Years | 23,795,847.47- | 21,764,476.16- | 2,031,371.31- |
| 31 | Operating Margins - Current Year | 3,141,699.06 | 3,315,404.73 | 173,705.67- |
| 32 | Non-Operating Margins | 450,577.36- | 970,603.42- | 520,026.06 |
| 33 | Other Margins and Equities | 26,572.20- | 83,478.17- | 56,905.97 |
| 34 | | 775,176.13- | 387,442.59- | 387,733.54- |
| Total Margins & Equities (29 thru 34) | | | | |
| 35 | | 22,069,829.10- | 20,053,340.61- | 2,016,488.49- |
| Long-Term Debt - RUS (Net) | | | | |
| 36 | Long-Term Debt - PFB - RUS Guaranteed | 51,342,654.30- | 44,808,560.48- | 6,534,093.82- |
| 37 | Long-Term Debt - Other - RUS Guaranteed | 0.00 | 0.00 | 0.00 |
| 38 | Long-Term Debt - Other (Net) | 0.00 | 0.00 | 0.00 |
| 39 | Long-Term Debt - Other (Net) | 5,765,188.21- | 6,579,207.89- | 814,019.68 |
| 40 | Long-Term Debt - RUS Econ. Deval. (Net) | 0.00 | 0.00 | 0.00 |
| 41 | Payments - Unapplied | 0.00 | 0.00 | 0.00 |
| Total Long-Term Debt (36 thru 40-41) | | | | |
| 42 | | 57,107,842.51- | 51,387,768.37- | 5,720,074.14- |
| Obligations Under Capital Leases - Noncurrent | | | | |
| 43 | Accumulated Operating Provisions | 0.00 | 0.00 | 0.00 |
| 44 | | 1,372,555.40- | 1,608,075.84- | 235,520.44 |
| Total Other Noncurrent Liabilities (43 + 44) | | | | |
| 45 | | 1,372,555.40- | 1,608,075.84- | 235,520.44 |
| Notes Payable | | | | |
| 46 | Accounts Payable | 0.00 | 0.00 | 0.00 |
| 47 | Consumers Deposits | 1,483,796.09- | 1,842,127.09- | 358,331.00 |
| 48 | Current Maturities Long-Term Debt | 750,733.71- | 796,637.98- | 45,904.27 |
| 49 | Current Maturities Long-Term Debt - Econ. Deval. | 0.00 | 0.00 | 0.00 |
| 50 | Current Maturities Capital Leases | 0.00 | 0.00 | 0.00 |
| 51 | Other Current and Accrued Liabilities | 0.00 | 0.00 | 0.00 |
| 52 | | 1,454,288.91- | 1,384,521.45- | 69,767.46- |
| Total Current & Accrued Liabilities (46 thru 52) | | | | |
| 53 | | 3,688,818.71- | 4,023,286.52- | 334,467.81 |
| Regulatory Liabilities | | | | |
| 54 | Other Deferred Credits | 0.00 | 0.00 | 0.00 |
| 55 | | 4,344,269.59- | 3,709,760.84- | 634,508.75- |
| Total Liab. & Other Credits (35+42+45+53 thru 55) | | | | |
| 56 | | 88,583,315.31- | 80,782,232.18- | 7,801,083.13- |
| Current Assets to Current Liabilities | | | | |
| Ratio of 5.2175 to 1 3.5348 to 1 | | | | |
| Margins & Equities to Total Assets | | | | |
| Ratio of 24.9142 % 24.8239 % | | | | |
| Long-Term Debt to Total Utility Plant | | | | |
| Ratio of 50.5643 % 47.2812 % | | | | |

ATTACHMENT 4

ARIZONA 13 NAVAJO

NAVOPACHE ELECTRIC COOPERATIVE, INC.

LAKESIDE, ARIZONA

FINANCIAL STATEMENTS WITH ACCOMPANYING INFORMATION

FOR THE YEARS ENDED APRIL 30, 2010 AND 2009

AND

REPORT OF CERTIFIED PUBLIC ACCOUNTANTS

BOLINGER, SEGARS, GILBERT & MOSS, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

LUBBOCK, TEXAS

ARIZONA 13 NAVAJO

NAVOPACHE ELECTRIC COOPERATIVE, INC.

LAKESIDE, ARIZONA

FINANCIAL STATEMENTS WITH ACCOMPANYING INFORMATION

FOR THE YEARS ENDED APRIL 30, 2010 AND 2009

AND

REPORT OF CERTIFIED PUBLIC ACCOUNTANTS

**ARIZONA 13 NAVAJO
NAVOPACHE ELECTRIC COOPERATIVE, INC.
LAKESIDE, ARIZONA**

**FINANCIAL STATEMENTS WITH ACCOMPANYING INFORMATION
FOR THE YEARS ENDED APRIL 30, 2010 AND 2009**

TABLE OF CONTENTS

| | <u>Statement Identification</u> | <u>Page No.</u> |
|---|-------------------------------------|---------------------|
| Independent Auditors' Report | | 1 |
| Financial Statements | | |
| Balance Sheet | Exhibit A | 2 |
| Statement of Income and Patronage Capital | Exhibit B | 3 |
| Statement of Cash Flows | Exhibit C | 4 |
| Notes to Financial Statements | | 5 |
| Accompanying Information | | |
| Independent Auditors' Report on Accompanying Information | | 17 |
| Electric Plant | Schedule 1 | 18 |
| Accumulated Provision for Depreciation | Schedule 2 | 19 |
| Other Property and Investments | Schedule 3 | 20 |
| Patronage Capital | Schedule 4 | 21 |
| RUS, FFB, and CFC Mortgage Notes | Schedule 5 | 22 |
| Four Year Comparative Data | Schedule 6 | 23 |
| Compliance and Internal Control Section | | |
| Letter to Board of Directors Regarding RUS, 7 CFR, Part 1773, Policies Concerning Audits of RUS Borrowers | | 24 |
| Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> | | 28 |

BOLINGER, SEGARS, GILBERT & MOSS, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

PHONE: (806) 747-3806

FAX: (806) 747-3815

8215 NASHVILLE AVENUE

LUBBOCK, TEXAS 79423-1954

INDEPENDENT AUDITORS' REPORT

Board of Directors
Navopache Electric Cooperative, Inc.
Lakeside, Arizona

We have audited the accompanying balance sheets of Navopache Electric Cooperative, Inc. as of April 30, 2010 and 2009, and the related statements of income and patronage capital and cash flows for the years then ended. These financial statements are the responsibility of the Cooperative's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Navopache Electric Cooperative, Inc. at April 30, 2010 and 2009, and the results of its operations and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated July 13, 2010, on our consideration of Navopache Electric Cooperative, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audits.

Bolinger, Segars, Gilbert & Moss LLP

Certified Public Accountants

July 13, 2010

NAVOPACHE ELECTRIC COOPERATIVE, INC.

Exhibit A

BALANCE SHEET
APRIL 30, 2010 AND 2009

ASSETS

| | April 30, | |
|---|----------------|----------------|
| | 2010 | 2009 |
| UTILITY PLANT AT COST | | |
| Electric Plant in Service | \$ 114,863,169 | \$ 111,327,983 |
| Construction Work in Progress | 6,381,202 | 3,268,448 |
| Electric Plant Acquisition Adjustment | (1,543,661) | (1,543,661) |
| | \$ 119,700,710 | \$ 113,052,770 |
| Less: Accumulated Provision for Depreciation | 48,615,020 | 46,087,268 |
| | \$ 71,085,690 | \$ 66,965,502 |
| OTHER PROPERTY AND INVESTMENTS - AT COST OR STATED VALUE | | |
| Notes Receivable | \$ 47,978 | \$ 69,668 |
| Investments in Associated Organizations | 2,174,032 | 2,026,653 |
| | \$ 2,222,010 | \$ 2,096,321 |
| CURRENT ASSETS | | |
| Cash - General | \$ 1,832,143 | \$ 94,851 |
| Temporary Cash Investments - At Cost | 8,459,003 | 12,672,017 |
| Accounts and Notes Receivable (Less allowance for uncollectibles of \$123,954 in 2010 and \$204,427 in 2009) | 3,687,785 | 2,554,185 |
| Interest and Rent Receivable | 90,985 | 367,925 |
| Materials and Supplies | 3,198,134 | 3,194,520 |
| Other Current and Accrued Assets | 344,539 | 497,230 |
| | \$ 17,612,589 | \$ 19,380,728 |
| DEFERRED CHARGES | \$ 958,436 | \$ 253,941 |
| TOTAL ASSETS | \$ 91,878,725 | \$ 88,696,492 |

EQUITIES AND LIABILITIES

| | | |
|---|---------------|---------------|
| EQUITIES | | |
| Memberships | \$ 163,155 | \$ 163,355 |
| Patronage Capital | 25,065,658 | 24,272,996 |
| Other Equities (Deficit) | (1,993,190) | (2,131,723) |
| Other Comprehensive Loss | (228,700) | (234,800) |
| | \$ 23,006,923 | \$ 22,069,828 |
| LONG-TERM DEBT | | |
| RUS Mortgage Notes Less Current Maturities | \$ 31,646,660 | \$ 27,980,029 |
| FFB Mortgage Notes Less Current Maturities | 21,286,310 | 21,873,625 |
| CFC Mortgage Notes Less Current Maturities | 4,384,649 | 5,035,188 |
| | \$ 57,317,619 | \$ 54,888,842 |
| ACCUMULATED PROVISION FOR PENSIONS AND BENEFITS | | |
| Post-Retirement Benefits | \$ 1,461,700 | \$ 1,372,555 |
| CURRENT LIABILITIES | | |
| Current Maturities of Long-Term Debt | \$ 2,296,000 | \$ 2,219,000 |
| Accounts Payable - Purchased Power | 1,817,187 | 1,327,605 |
| Accounts Payable - Other | 478,347 | 269,031 |
| Accrued Payroll | 364,588 | 395,083 |
| Consumers' Deposits and Prepayments | 989,710 | 969,975 |
| Accrued Taxes | 482,197 | 506,547 |
| Accrued Employee Compensated Absences | 511,443 | 520,037 |
| Power Cost Adjustments - Overcollected | 788,123 | 1,828,312 |
| Other Current and Accrued Liabilities | 85,455 | 108,082 |
| | \$ 7,813,050 | \$ 8,143,672 |
| DEFERRED CREDITS | \$ 2,279,433 | \$ 2,221,595 |
| TOTAL EQUITIES AND LIABILITIES | \$ 91,878,725 | \$ 88,696,492 |

The accompanying notes are an integral part of these financial statements.

NAVOPACHE ELECTRIC COOPERATIVE, INC.

Exhibit B

STATEMENT OF INCOME AND PATRONAGE CAPITAL
FOR THE YEARS ENDED APRIL 30, 2010 AND 2009

| | Years Ended April 30, | | | | |
|--|-----------------------|-------|---------------|-------|------------------------|
| | 2010 | | 2009 | | Increase (Decrease) |
| | Amount | % | Amount | % | |
| OPERATING REVENUE | | | | | |
| Residential | \$ 25,803,003 | 62.1 | \$ 25,487,606 | 63.0 | \$ 315,397 |
| Irrigation | 519,146 | 1.2 | 590,462 | 1.5 | (71,316) |
| Commercial and Industrial | 13,435,037 | 32.3 | 14,482,254 | 35.8 | (1,047,217) |
| Public Street and Highway Lighting | 92,018 | 0.2 | 91,956 | 0.2 | 62 |
| Rent from Electric Property and Other | | | | | |
| Electric Revenue | 675,625 | 1.6 | 816,568 | 2.0 | (140,943) |
| Power Cost Adjustments (Over) Under Billed | 1,040,190 | 2.6 | (1,023,961) | (2.5) | 2,064,151 |
| Total Operating Revenue | \$ 41,565,019 | 100.0 | \$ 40,444,885 | 100.0 | \$ 1,120,134 |
| OPERATING EXPENSES | | | | | |
| Purchased Power | \$ 21,646,510 | 52.1 | \$ 20,382,532 | 50.4 | \$ 1,263,978 |
| Transmission | 141,386 | 0.3 | 90,404 | 0.2 | 50,982 |
| Distribution - Operation | 2,765,170 | 6.7 | 3,287,840 | 8.1 | (522,670) |
| Distribution - Maintenance | 2,898,261 | 7.0 | 2,248,589 | 5.6 | 649,672 |
| Consumer Accounts | 3,019,812 | 7.3 | 3,112,889 | 7.7 | (93,077) |
| Customer Service and Information | 579,011 | 1.4 | 635,036 | 1.6 | (56,025) |
| Administrative and General | 4,077,612 | 9.8 | 3,874,117 | 9.6 | 203,495 |
| Depreciation and Amortization | 3,396,556 | 8.2 | 3,197,604 | 7.9 | 198,952 |
| Taxes | 51,915 | 0.1 | 54,316 | 0.1 | (2,401) |
| Other Interest | 42,379 | 0.1 | 44,327 | 0.1 | (1,948) |
| Other Deductions | 52,794 | 0.1 | 22,492 | 0.1 | 30,302 |
| Total Operating Expenses | \$ 38,671,406 | 93.1 | \$ 36,950,146 | 91.4 | \$ 1,721,260 |
| OPERATING MARGINS - Before Fixed Charges | \$ 2,893,613 | 6.9 | \$ 3,494,739 | 8.6 | \$ (601,126) |
| FIXED CHARGES | | | | | |
| Interest on Long-Term Debt | 2,087,002 | 5.0 | 2,201,706 | 5.4 | (114,704) |
| OPERATING MARGIN - After Fixed Charges | \$ 806,611 | 1.9 | \$ 1,293,033 | 3.2 | \$ (486,422) |
| Capital Credits | 135,997 | 0.3 | 326,998 | 0.8 | (191,001) |
| NET OPERATING MARGIN | \$ 942,608 | 2.2 | \$ 1,620,031 | 4.0 | \$ (677,423) |
| NON-OPERATING MARGINS | | | | | |
| Interest and Dividend Income | \$ 66,415 | 0.2 | \$ 116,341 | 0.3 | \$ (49,926) |
| Other Non-Operating Loss | (2,010) | 0.0 | 459 | 0.0 | (2,469) |
| | \$ 64,405 | 0.2 | \$ 116,800 | 0.3 | \$ (52,395) |
| NET MARGIN | \$ 1,007,013 | 2.4 | \$ 1,736,831 | 4.3 | \$ (729,818) |
| OTHER COMPREHENSIVE INCOME | | | | | |
| Post-Retirement Benefit Liability Adjustment | 6,100 | | 330,200 | | |
| COMPREHENSIVE INCOME | \$ 1,013,113 | | \$ 2,067,031 | | |
| Post-Retirement Benefit Liability Adjustment | (6,100) | | (330,200) | | |
| PATRONAGE CAPITAL - BEGINNING OF YEAR | 24,272,996 | | 22,818,559 | | |
| Transfer Non-Operating Margins to Other Equities | (67,243) | | (173,706) | | |
| Patronage Capital Retired | (147,108) | | (108,688) | | |
| PATRONAGE CAPITAL - END OF YEAR | \$ 25,065,658 | | \$ 24,272,996 | | |

The accompanying notes are an integral part of these financial statements.

NAVOPACHE ELECTRIC COOPERATIVE, INC.

Exhibit C

STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED APRIL 30, 2010 AND 2009

| | April 30, | |
|--|----------------------|----------------------|
| | 2010 | 2009 |
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Net Margin | \$ 1,007,013 | \$ 1,736,831 |
| Adjustments to Reconcile Net Margin to Net Cash Provided by Operating Activities | | |
| Depreciation and Amortization | 3,846,563 | 3,613,487 |
| Capital Credits | (292,144) | (326,998) |
| Accrued Post-retirement Benefits | 140,505 | 121,299 |
| Deferred Charges | (704,495) | (214,557) |
| Deferred Credits | 57,838 | (464,455) |
| Accounts Receivable | (856,660) | (92,850) |
| Inventories and Prepaid Expenses | 149,077 | (194,738) |
| Payables and Accrued Expenses | (407,622) | 881,814 |
| Net Cash Provided by Operating Activities | \$ 2,940,075 | \$ 5,059,833 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Additions to Utility Plant | \$ (8,018,301) | \$ (5,942,775) |
| Salvage Value of Retirements and Other Credits | 179,255 | 112,865 |
| Plant Removal Costs | (127,705) | (153,841) |
| Other Property and Investments | 166,455 | 122,936 |
| Net Cash Used in Investing Activities | \$ (7,800,296) | \$ (5,860,815) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Payments on Long-Term Debt to RUS and FFB | \$ (1,764,684) | \$ (1,465,906) |
| Payments on Long-Term Debt to CFC | (729,539) | (814,020) |
| Advances From RUS | 5,000,000 | 8,000,000 |
| Payments on Post-Retirement Benefits | (45,260) | (26,620) |
| Memberships and Other Equities | 71,090 | 58,143 |
| Patronage Capital Retired | (147,108) | (108,688) |
| Net Cash Provided by Financing Activities | \$ 2,384,499 | \$ 5,642,909 |
| INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | \$ (2,475,722) | \$ 4,841,927 |
| CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR | <u>12,766,868</u> | <u>7,924,941</u> |
| CASH AND CASH EQUIVALENTS - END OF YEAR | <u>\$ 10,291,146</u> | <u>\$ 12,766,868</u> |
| SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION | | |
| Cash Paid During the Year for: | | |
| Interest | \$ 2,129,381 | \$ 2,229,724 |
| Income Taxes | \$ 0 | \$ 0 |

The adjustment for the application of the accounting standards related to the accrued post-retirement benefit liability decreased the accrued post-retirement benefit liability by \$(6,100) and (\$330,200) and changed equities by the same amount for 2010 and 2009, respectively.

The accompanying notes are an integral part of these financial statements.

NAVOPACHE ELECTRIC COOPERATIVE, INC.

NOTES TO FINANCIAL STATEMENTS

1. Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations

Navopache Electric Cooperative, Inc. (the Cooperative) is a non-profit company organized to provide electric service at the retail level to primarily residential and commercial accounts in a designated service area. Power delivered at retail is purchased wholesale from Public Service Company of New Mexico (PNM). Revenues earned in excess of costs incurred are allocated to members of the Cooperative and are reflected as patronage capital equity on the balance sheet.

System of Accounts

The accounting records of the Cooperative are maintained in accordance with the Uniform System of Accounts as prescribed by the Federal Energy Regulatory Commission for Class A and B electric utilities modified for electric borrowers of the Rural Utilities Service (RUS).

Electric Plant, Maintenance, and Depreciation

Electric plant is stated at the original cost of construction, which includes the cost of contracted services, direct labor, materials, and overhead items. Contributions from others toward the construction of electric plant are credited to the applicable plant accounts.

When property which represents a retirement unit is replaced or removed, the average cost of such property as determined from the continuing property records is credited to electric plant and such cost, together with cost of removal less salvage value, is charged to the accumulated provision for depreciation.

Maintenance and repairs, including the renewal of minor items of plant not comprising a retirement unit, are charged to the appropriate maintenance accounts, except that repairs of transportation and service equipment are charged to clearing accounts and redistributed to operating expense and other accounts.

Inventories

Materials and supplies inventories are valued at average unit cost.

Accounts Receivable and Allowance for Doubtful Accounts

The Cooperative provides an allowance for doubtful accounts to recognize the portion of receivables considered uncollectible. The allowance is estimated based on an aging of receivables as well as past collections experience. The Board of Directors approves the write offs of accounts on a monthly basis.

Electric Revenues

The Cooperative's operating revenues are under the jurisdiction of the Arizona Corporation Commission and the New Mexico Public Regulation Commission.

The Cooperative records electric revenues as billed to customers on a monthly basis. Revenue is not accrued for the power that is delivered but not billed at the end of each month. The Cooperative's tariffs for electric service include power cost adjustment clauses under which electric rates charged to customers are adjusted to reflect changes in the cost of power. As of April 30, 2010 and 2009, the Cooperative had delivered power for usage which had not yet been billed. It is estimated that the unbilled revenue amounted to \$2,321,256 and \$2,003,673 at April 30, 2010 and 2009, respectively.

-6-
NAVOPACHE ELECTRIC COOPERATIVE, INC.

NOTES TO FINANCIAL STATEMENTS

Group Concentrations of Credit Risk

The Cooperative's headquarters facility is located in Pinetop-Lakeside, Arizona. The service area includes members located in a five county area surrounding the town of Pinetop-Lakeside. The Cooperative records a receivable for electric revenues as billed on a monthly basis. The Cooperative requires a deposit from its members upon connection, which is applied to unpaid bills and fees in the event of default. The deposit accrues interest annually and is returned along with accrued interest periodically. As of April 30, 2010 and 2009, deposits on hand totaled \$726,404 and \$750,734, respectively.

The Cooperative maintains cash deposits at various financial institutions. Although all institutions are insured by an agency of the federal government, deposit amounts at times exceed insured amounts.

Income Taxes

The Cooperative is exempt from federal income taxes through Code Section 501(c)(12). The States of Arizona and New Mexico also recognize this exemption for State income tax purposes.

On May 1, 2009, the Cooperative adopted the "uncertain tax positions" provisions of accounting principles generally accepted in the United States of America. The primary tax position of the Cooperative is its filing status as a tax exempt entity. The Cooperative determined that it is more likely than not that their tax positions will be sustained upon examination by the Internal Revenue Service (IRS), or other State taxing authority and that all tax benefits are likely to be realized upon settlement with taxing authorities.

The Cooperative files income tax returns in the U.S. federal jurisdiction. The Cooperative is no longer subject to U.S. federal and state income tax examinations by federal taxing authorities for years before 2005.

The Cooperative recognizes interest accrued related to unrecognized tax benefits in interest expense and penalties in operating expenses. There were no penalties or interest recognized during the years ended April 31, 2010 and 2009.

Patronage Capital Certificates

Patronage capital from associated organizations is recorded at the stated amount of the certificates.

Statement of Cash Flows

For purposes of the statement of cash flows, cash and temporary cash investments reflected on the balance sheet are considered cash and cash equivalents.

Use of Estimates in the Preparation of Financial Statements

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

-7-
NAVOPACHE ELECTRIC COOPERATIVE, INC.

NOTES TO FINANCIAL STATEMENTS

Comparative Financial Information

Certain amounts in the prior period financial statements have been reclassified in order to conform with current period presentation.

2. Assets Pledged

All assets are pledged as security for the long-term debt due RUS, FFB, and the National Rural Utilities Cooperative Finance Corporation (CFC).

3. Electric Plant

The major classes of electric plant are as follows:

| | April 30, | |
|---------------------------------------|-----------------------|-----------------------|
| | 2010 | 2009 |
| Intangible Plant | \$ 298 | \$ 298 |
| Generation Plant | 2,393,103 | 2,393,103 |
| Transmission Plant | 12,061,288 | 12,018,488 |
| Distribution Plant | 86,780,776 | 83,470,690 |
| General Plant | 13,627,704 | 13,445,404 |
| Total Electric Plant in Service | \$ 114,863,169 | \$ 111,327,983 |
| Constructions Work in Progress | 6,381,202 | 3,268,448 |
| Electric Plant Acquisition Adjustment | (1,543,661) | (1,543,661) |
| Total Electric Plant | <u>\$ 119,700,710</u> | <u>\$ 113,052,770</u> |

Provision has been made for depreciation of transmission and distribution plant at straight-line composite rates of 2.75% and 3.96%, respectively.

General plant depreciation rates have been applied on a straight-line basis and are as follows:

| | |
|-----------------------------------|----------------|
| Structures and Improvements | 2.85 - 20.00% |
| Office Furniture and Fixtures | 5.00 - 20.00% |
| Transportation Equipment | 10.00 - 25.00% |
| Store Equipment | 8.00% |
| Tools, Shop, and Garage Equipment | 8.00% |
| Laboratory Equipment | 8.00 - 20.00% |
| Power Operated Equipment | 5.00 - 25.00% |
| Communication Equipment | 6.00 - 20.00% |

Depreciation and amortization for the years ended April 30, 2010 and 2009, were \$3,846,563 and \$3,613,487, respectively, of which \$3,396,556 and \$3,197,604 were charged to depreciation expense, and \$450,007 and \$415,883 were allocated to other accounts.

NAVOPACHE ELECTRIC COOPERATIVE, INC.

NOTES TO FINANCIAL STATEMENTS

The amount of \$(1,543,661) shown as Electric Plant Acquisition Adjustment represents the net book value of a donated substation and three donated towers. The acquisition adjustment of the substation will be amortized over 20 years and the acquisition adjustment of the towers will be amortized over 50 years. Amortization expense for the years ended April 30, 2010 and 2009 was \$57,081 and \$57,081.

4. Investments in Associated Organizations

Investments in associated organizations consisted of the following as of April 30, 2010 and 2009:

| | April 30, | |
|---------------------------|---------------------|---------------------|
| | 2010 | 2009 |
| CFC | | |
| Capital Term Certificates | \$ 1,335,119 | \$ 1,338,907 |
| Patronage Capital | 252,386 | 236,764 |
| Other | 586,527 | 450,982 |
| | <u>\$ 2,174,032</u> | <u>\$ 2,026,653</u> |

5. Materials and Supplies

Materials and supplies consist of:

| | April 30, | |
|-------------------------------------|---------------------|---------------------|
| | 2010 | 2009 |
| Construction Materials and Supplies | \$ 3,127,772 | \$ 3,084,313 |
| Merchandise For Resale | 70,362 | 110,207 |
| | <u>\$ 3,198,134</u> | <u>\$ 3,194,520</u> |

6. Deferred Charges

Deferred charges include the following:

| | April 30, | |
|---------------------------|-------------------|-------------------|
| | 2010 | 2009 |
| Uniform Clearing | \$ | \$ 260 |
| New Building Construction | 958,436 | 253,681 |
| | <u>\$ 958,436</u> | <u>\$ 253,941</u> |

NAVOPACHE ELECTRIC COOPERATIVE, INC.

NOTES TO FINANCIAL STATEMENTS

7. Return of Capital

Under the provisions of the mortgage agreements, until the equities and margins equal or exceed 30% of the total assets of the Cooperative, the return to patrons of capital contributed by them is limited generally to 25% of the patronage capital or margins received by the Cooperative in the prior calendar year. The equities and margins excluding other comprehensive income of the Cooperative represent 25.29% of the total assets at balance sheet date. Patronage capital to estates totaling \$147,108 and \$108,688 was retired during the years ended April 30, 2010 and 2009, respectively.

8. Patronage Capital

| | April 30, | |
|---------------|----------------------|----------------------|
| | 2010 | 2009 |
| Assigned | \$ 27,663,151 | \$ 27,026,552 |
| Assignable | 780,320 | 477,149 |
| | \$ 28,443,471 | \$ 27,503,701 |
| Less: Retired | (3,377,813) | (3,230,705) |
| | <u>\$ 25,065,658</u> | <u>\$ 24,272,996</u> |

9. Other Equities (Deficit)

| | April 30, | |
|--------------------|-----------------------|-----------------------|
| | 2010 | 2009 |
| Donated Capital | \$ 603,627 | \$ 599,039 |
| Undelivered Checks | 477,639 | 410,937 |
| Operating Deficits | (3,074,456) | (3,141,699) |
| | <u>\$ (1,993,190)</u> | <u>\$ (2,131,723)</u> |

The Cooperative uses non-operating margins to offset operating deficits.

-10-
NAVOPACHE ELECTRIC COOPERATIVE, INC.

NOTES TO FINANCIAL STATEMENTS

10. Mortgage Notes – RUS/FFB

RUS

Long-term debt due RUS is represented by 35-year mortgage notes payable to the United States of America. Following is a summary of long-term debt due RUS and maturing at various times between 2018 and 2031:

| | April 30, | |
|--------------------------|---------------|---------------|
| | 2010 | 2009 |
| 0.41% Notes | \$ 7,763,149 | \$ 8,000,000 |
| 4.84% Notes | 5,794,342 | 5,876,725 |
| 2.37% Notes | 4,971,386 | |
| 5.00% Notes | 14,171,783 | 14,792,304 |
| | \$ 32,700,660 | \$ 28,669,029 |
| Less: Current Maturities | 1,054,000 | 689,000 |
| | \$ 31,646,660 | \$ 27,980,029 |

Principal and interest installments on the above notes are due in quarterly and monthly amounts. As of April 30, 2010, annual maturities of long-term debt due RUS for the next five years are as follows:

| | |
|------|--------------|
| 2011 | \$ 1,054,000 |
| 2012 | 1,093,000 |
| 2013 | 1,135,000 |
| 2014 | 1,178,000 |
| 2015 | 1,223,000 |

The Cooperative has \$14,231,000 of unadvanced funds available.

-11-
NAVOPACHE ELECTRIC COOPERATIVE, INC.

NOTES TO FINANCIAL STATEMENTS

Federal Financing Bank (FFB)

Long-term debt due FFB is represented by 33-year mortgage notes payable to the United States of America. Following is a summary of the long-term debt due FFB as of April 30, 2010 and 2009:

| | April 30, | |
|---|----------------------|----------------------|
| | 2010 | 2009 |
| 1.60% Rate Note 2010 2.34% Rate Note 2009 | \$ 8,167,939 | \$ 8,473,282 |
| 3.59% Rate Note 2010 3.53% Rate Note 2009 | 4,147,287 | 4,302,326 |
| 3.83% Fixed Rate Note | 1,412,177 | 1,464,968 |
| 4.11% Fixed Rate Note | 2,547,619 | 2,642,857 |
| 4.43% Fixed Rate Note | 2,157,258 | 2,237,903 |
| 4.66% Fixed Rate Note | 1,321,465 | 1,349,338 |
| 5.27% Fixed Rate Note | 2,123,565 | 2,202,951 |
| | <u>\$ 21,877,310</u> | <u>\$ 22,673,625</u> |
| Less: Current Maturities | <u>591,000</u> | <u>800,000</u> |
| | <u>\$ 21,286,310</u> | <u>\$ 21,873,625</u> |

Principal and interest installments on the above notes are due quarterly. As of April 30, 2010, annual maturities on long-term debt due FFB for the next five years are as follows:

| | |
|------|------------|
| 2011 | \$ 591,000 |
| 2012 | 609,000 |
| 2013 | 628,000 |
| 2014 | 647,000 |
| 2015 | 666,000 |

These notes are guaranteed by RUS. The Cooperative has \$0 of unadvanced funds available.

Notes of \$3,959,796 will mature in the upcoming year. Management's intent is that the notes will be refinanced, therefore, only the payments for the next year are included in the current maturities.

11. Mortgage Notes - CFC

Following is a summary of long-term debt due CFC and maturing at various times from 2010 to 2028:

| | April 30, | |
|----------------------------------|---------------------|---------------------|
| | 2010 | 2009 |
| Fixed Rate Notes - 5.05% - 6.50% | \$ 5,035,649 | \$ 5,765,188 |
| Less: Current Maturities | <u>651,000</u> | <u>730,000</u> |
| | <u>\$ 4,384,649</u> | <u>\$ 5,035,188</u> |

NAVOPACHE ELECTRIC COOPERATIVE, INC.

NOTES TO FINANCIAL STATEMENTS

Principal and interest installments on the above notes are due quarterly. As of April 30, 2010, annual maturities of long-term debt due CFC for the next five years are as follows:

| | |
|------|------------|
| 2011 | \$ 651,000 |
| 2012 | 594,000 |
| 2013 | 491,000 |
| 2014 | 448,000 |
| 2015 | 415,000 |

12. Short-Term Borrowing

The Cooperative has a \$5,000,000 line of credit for short-term financing from National Rural Utilities Cooperative Finance Corporation at a variable interest rate, with an expiration date of March 25, 2011. As of April 30, 2010 and 2009, the Cooperative had no outstanding balances on this line of credit.

The Cooperative has a \$7,000,000 line of credit for short-term financing from National Rural Utilities Cooperative Finance Corporation at a variable interest rate. The line of credit is not available for use until it is approved by the Arizona Corporation Commission.

13. Deferred Credits

Deferred credits consisted of the following:

| | April 30, | |
|-----------------------------------|---------------------|---------------------|
| | 2010 | 2009 |
| Refundable Construction Advances | \$ 334,635 | \$ 538,600 |
| Unclaimed Checks | 5,582 | 14,149 |
| Accrued Consumer Deposit Interest | 105,065 | 95,702 |
| Environmental Portfolio | 1,827,291 | 1,485,151 |
| Regulatory Liability | | 80,688 |
| Other | 6,860 | 7,305 |
| | <u>\$ 2,279,433</u> | <u>\$ 2,221,595</u> |

Refundable Construction Advances represent refundable aid to construction on line extensions and subdivision construction contracts. Amounts are refunded annually based on the revenue generated from the member that originally paid the aid to construction. Any amounts not refunded to the member after seven years are forfeited to the Cooperative.

Environmental Portfolio represents collections from members to be used in the installation of plant qualifying for environmental portfolio status through the Cooperative's service area.

The regulatory liability is explained in footnote 18.

NAVOPACHE ELECTRIC COOPERATIVE, INC.

NOTES TO FINANCIAL STATEMENTS

14. Pension Benefits

Substantially all employees of the Cooperative participate in the National Rural Electric Cooperative Association (NRECA) Retirement & Security Program, a defined benefit pension plan qualified under section 401 and tax exempt under section 501(a) of the Internal Revenue Code. The Cooperative makes annual contributions to the program equal to the amounts accrued for pension expense. A moratorium on contributions to the plan has been in effect at various times. In this multi-employer plan, which is available to all member cooperatives of NRECA, the accumulated benefits and plan assets are not determined or allocated separately by individual employer. The NRECA SelectRE Pension Plan, a defined contribution plan, has also been made available to employees by the Cooperative. The pension expense to the Cooperative for 2010 and 2009 was \$1,622,726 and \$1,343,143, respectively.

15. Post-Retirement Benefits

The Cooperative provides post-retirement benefits for eligible employees and directors through a plan with NRECA.

A summary of the plan is as follows:

Medical Benefits – Health Insurance Premiums

| | |
|--------------------|---|
| Eligibility | Bargaining union employees who have reached age 55 with seven or more years continuous service – half of premium cost; certain salaried employees who were retired on or prior to January 1, 1996; directors elected or appointed prior to January 1, 1996, retiring with 10 or more years continuous service – half of premium cost. |
| Covered Group | Current retirees, active employees, and directors are covered. |
| Period of Coverage | Lifetime. |
| Type of Plan | Electrecomp PPO Plan with NRECA. |

Actuarial Cost Method

The method used is the projected unit credit cost method as prescribed in generally accepted accounting principles in the United States.

Economic Assumptions

The discount rate used to develop the accumulated post-retirement benefit obligation was 5.75%. The assumed health care cost trend rate was 9% for 2010, declining to a level of 5.0% for 2018.

NAVOPACHE ELECTRIC COOPERATIVE, INC.

NOTES TO FINANCIAL STATEMENTS

Amounts recognized in the Cooperative's April 30, 2010 and 2009, financial statements and funded status of the plan are as follows:

| | April 30, | |
|---|-----------------------|-----------------------|
| | 2010 | 2009 |
| (I) Net Post-Retirement Benefit Cost: | | |
| Interest Cost | \$ 75,900 | \$ 69,900 |
| Service Cost | 50,000 | 51,400 |
| Actuarial Loss | 4,800 | 6,700 |
| | <u>\$ 130,700</u> | <u>\$ 128,000</u> |
| (II) Accumulated Post-Retirement Benefit Obligation (APBO) Reconciliation | | |
| APBO Balance at Beginning of Year | \$ (1,372,555) | \$ (1,608,076) |
| Interest Cost | (75,900) | (69,900) |
| Service Cost | (50,000) | (51,400) |
| Amortization of Actuarial Loss | (4,800) | (6,700) |
| Plan Adjustment | (3,705) | 323,500 |
| Benefits Paid | 45,260 | 40,021 |
| Net Post-Retirement Benefit Liability at End of Year | <u>\$ (1,461,700)</u> | <u>\$ (1,372,555)</u> |
| (III) Funded Status | | |
| Accumulated Post-Retirement Benefit Obligation | \$ (1,461,700) | \$ (1,372,555) |
| Fair Value of Plan Assets | | |
| Accrued Post-Retirement Benefit Cost | <u>\$ (1,461,700)</u> | <u>\$ (1,372,555)</u> |
| (IV) Accumulated Other Comprehensive Loss | | |
| Actuarial Loss - Beginning of Year | \$ (234,800) | \$ (565,000) |
| Plan Adjustment | 1,300 | 323,500 |
| Amortization of Loss | 4,800 | 6,700 |
| Other Comprehensive Loss | <u>\$ (228,700)</u> | <u>\$ (234,800)</u> |

The Cooperative had not funded plan assets as of April 30, 2010.

Generally accepted accounting principles in the United States requires an employer that sponsors a defined benefit post-retirement plan to report the current economic status (the overfunded or underfunded status) of the plan in its balance sheet, to measure the plan assets and plan obligations as of the balance sheet date, and to include enhanced disclosures about the plan.

The estimated actuarial loss and prior service cost for the post-retirement medical benefit plan that will be amortized from accumulated other comprehensive income into net post-retirement benefit cost over the next fiscal year is expected to be \$4,800.

NAVOPACHE ELECTRIC COOPERATIVE, INC.

NOTES TO FINANCIAL STATEMENTS

Estimated future benefit payments for the next five years and the subsequent five years thereafter are as follows:

| | | |
|-------------|----|---------|
| 2011 | \$ | 52,000 |
| 2112 | | 57,100 |
| 2013 | | 54,600 |
| 2014 | | 57,700 |
| 2015 | | 64,100 |
| 2016 - 2020 | | 369,500 |

16. Litigation

Management has represented there is no litigation pending against or involving the Cooperative which would have a material impact on the financial statements.

17. Commitments and Contingencies

The Cooperative has construction contracts that are in various stages of completion for the construction of plant. The original contract amounts, including amounts for owner furnished materials, were \$2,108,730 of which \$1,260,695 was completed and invoiced at year end.

18. Wholesale Power Costs, Rate Matters, and Regulatory Items

Wholesale Power Costs

The Cooperative executed a wholesale power agreement with Public Service Company of New Mexico (PNM), effective July 1, 2000. The agreement includes various terms, contract provisions, etc. On a monthly basis, PNM is billing, through demand and embedded rate components, the Cooperative's share of stranded costs relative to PNM becoming the Cooperative's supplier. The stranded costs currently being billed monthly to the Cooperative are approximately \$84,000. The agreement was initially intended to be for 25 years, but the Cooperative can terminate the contract at the end of 10 years from the effective date by giving proper notice as defined in the agreement. At that time, obligations related to the stranded costs should be satisfied. If the Cooperative chooses to terminate the contract prior to the 10 year time frame, amounts related to unbilled stranded costs could be due to PNM.

The rates include a purchased power cost adjustment, a competitive transition charge (CTC) component and an environmental portfolio standard (EPS) adder. These components allow the Cooperative to pass through to its customers relevant costs associated with these type items. The CTC component was authorized to allow the Cooperative a mechanism to recover the stranded costs being billed monthly by its wholesale power supplier from its customers.

NAVOPACHE ELECTRIC COOPERATIVE, INC.

NOTES TO FINANCIAL STATEMENTS

Regulatory Items

Upon approval of the last Arizona rate increase, the ACC ordered the Cooperative to refund monies related to a gain on the Cooperative's share of Plains G & T (the Cooperative's previous wholesale supplier) asset sales through a reduction of the CTC component of the rates charged to Arizona customers. The ACC ordered this amount to be amortized and refunded over a maximum eight year period that began when the new rates were put into effect.

Activity related to this transaction is as follows:

| | April 30, | |
|--|------------|------------|
| | 2010 | 2009 |
| Gain Amount Transferred from Patronage Capital to Regulatory Liability | \$ 767,273 | \$ 767,273 |
| Gain Amount Transferred from Other Equities to Regulatory Liability | 93,397 | 93,397 |
| Total Gain Reclassified as Regulatory Liability | \$ 860,670 | \$ 860,670 |
| Amortization and Refunded to Date | (860,670) | (779,982) |
| Balance at Year End | \$ 0 | \$ 80,688 |

19. Subsequent Events

The Cooperative has evaluated subsequent events through July 13, 2010, the date which the financial statements were available to be issued.

ACCOMPANYING INFORMATION

BOLINGER, SEGARS, GILBERT & MOSS, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

PHONE: (806) 747-3806

FAX: (806) 747-3815

8215 NASHVILLE AVENUE

LUBBOCK, TEXAS 79423-1954

**INDEPENDENT AUDITORS' REPORT ON
ACCOMPANYING INFORMATION**

Our audits of the basic financial statements presented in the preceding section of this report were made for the purpose of forming an opinion on such financial statements taken as a whole. The accompanying information shown on pages 18 through 23 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Bolinger, Segars, Gilbert & Moss LLP

Certified Public Accountants

July 13, 2010

NAVOPACHE ELECTRIC COOPERATIVE, INC.

Schedule 1

ELECTRIC PLANT
FOR THE YEAR ENDED APRIL 30, 2010

| | Balance 05/01/2009 | Additions and Transfers | Retirements | Balance 04/30/2010 |
|--|-----------------------|-------------------------------|--------------|-----------------------|
| CLASSIFIED ELECTRIC PLANT IN SERVICE | | | | |
| Intangible Plant | \$ 298 | \$ | \$ | \$ 298 |
| Generation Plant | | | | |
| Miscellaneous Power Plant Equipment | \$ 2,393,103 | \$ | \$ | \$ 2,393,103 |
| Transmission Plant | | | | |
| Land and Land Rights | \$ 9,302 | \$ | \$ | \$ 9,302 |
| Station Equipment | 2,770,462 | | | 2,770,462 |
| Poles, Towers, and Fixtures | 5,015,216 | 42,800 | | 5,058,016 |
| Overhead Conductors and Devices | 4,214,772 | | | 4,214,772 |
| Roads and Trails | 8,736 | | | 8,736 |
| Total | \$ 12,018,488 | \$ 42,800 | \$ 0 | \$ 12,061,288 |
| Distribution Plant | | | | |
| Land and Land Rights | \$ 56,326 | \$ | \$ | \$ 56,326 |
| Structures and Improvements | 996 | | | 996 |
| Station Equipment | 11,458,800 | | | 11,458,800 |
| Poles, Towers, and Fixtures | 14,839,927 | 452,498 | 105,438 | 15,186,987 |
| Overhead Conductors and Devices | 12,725,018 | 555,000 | 154,764 | 13,125,254 |
| Underground Conductors and Devices | 11,366,169 | 635,364 | 20,503 | 11,981,030 |
| Conductors | 939,495 | | | 939,495 |
| Line Transformers | 16,044,662 | 1,094,618 | 362,977 | 16,776,303 |
| Services | 6,474,986 | 134,004 | 1,417 | 6,607,573 |
| Meters | 8,863,027 | 1,271,409 | 237,114 | 9,897,322 |
| Street Lights and Signal Systems | 701,284 | 73,213 | 23,807 | 750,690 |
| Total | \$ 83,470,690 | \$ 4,216,106 | \$ 906,020 | \$ 86,780,776 |
| General Plant | | | | |
| Land and Land Rights | \$ 529,016 | \$ | \$ | \$ 529,016 |
| Structures and Improvements | 1,461,313 | 16,135 | | 1,477,448 |
| Office Furniture and Equipment | 1,769,204 | 212,650 | 111,787 | 1,870,067 |
| Transportation Equipment | 2,859,252 | 111,737 | 205,940 | 2,765,049 |
| Store Equipment | 120,979 | 4,826 | | 125,805 |
| Tools, Shop, and Garage Equipment | 350,650 | 7,574 | 10,527 | 347,697 |
| Laboratory Equipment | 655,621 | 18,175 | 3,086 | 670,710 |
| Power Operated Equipment | 1,962,634 | 77,922 | 56,652 | 1,983,904 |
| Communications Equipment | 3,619,967 | 197,622 | 76,349 | 3,741,240 |
| Miscellaneous Equipment | 116,768 | | | 116,768 |
| Total | \$ 13,445,404 | \$ 646,641 | \$ 464,341 | \$ 13,627,704 |
| Total Classified Electric Plant in Service | \$ 111,327,983 | \$ 4,905,547 | \$ 1,370,361 | \$ 114,863,169 |
| Construction Work in Progress | 3,268,448 | 3,112,754 | | 6,381,202 |
| Electric Plant Acquisition Adjustment | (1,543,661) | | | (1,543,661) |
| Total Utility Plant | \$ 113,052,770 | \$ 8,018,301 | \$ 1,370,361 | \$ 119,700,710 |

NAVOPACHE ELECTRIC COOPERATIVE, INC.

Schedule 2

ACCUMULATED PROVISION FOR DEPRECIATION
FOR THE YEAR ENDED APRIL 30, 2010

| | Balance 05/01/2009 | Accruals and Transfers | Retirements | Balance 04/30/2010 |
|--|-----------------------|---------------------------|--------------|-----------------------|
| CLASSIFIED ELECTRIC PLANT IN SERVICE | | | | |
| Miscellaneous Power Plant Equipment | \$ 293,284 | \$ 72,364 | \$ | \$ 365,648 |
| Transmission Plant | \$ 5,722,182 | \$ 331,189 | \$ (6,309) | \$ 6,059,680 |
| Distribution Plant | \$ 30,540,605 | \$ 2,838,418 | \$ 922,870 | \$ 32,456,153 |
| General Plant | | | | |
| Structures and Improvements | \$ 1,191,352 | \$ 26,388 | \$ | \$ 1,217,740 |
| Office Furniture and Fixtures | 1,561,499 | 105,123 | 111,787 | 1,554,835 |
| Transportation Equipment | 2,059,302 | 241,078 | 201,391 | 2,098,989 |
| Store Equipment | 88,772 | 4,789 | | 93,561 |
| Tools, Shop, and Garage Equipment | 296,109 | 14,924 | 10,489 | 300,544 |
| Laboratory Equipment | 509,576 | 33,863 | 3,086 | 540,353 |
| Power Operated Equipment | 1,188,278 | 125,267 | 53,150 | 1,260,395 |
| Communications Equipment | 2,520,818 | 102,290 | 76,349 | 2,546,759 |
| Miscellaneous Equipment | 110,193 | 1,441 | | 111,634 |
| Gain (Loss) on General Plant | 269,933 | | (21,093) | 291,026 |
| Total General Plant | \$ 9,795,832 | \$ 655,163 | \$ 435,159 | \$ 10,015,836 |
| Total Classified Electric Plant in Service | \$ 46,351,903 | \$ 3,897,134 | \$ 1,351,720 | \$ 48,897,317 |
| Amortization of Electric Plant Acquisition Intangible Plant | (128,452) | (50,571) | | (179,023) |
| Retirement Work in Progress | (136,183) | | (32,909) | (103,274) |
| Total Electric Plant | \$ 46,087,268 | \$ 3,846,563 | \$ 1,318,811 | \$ 48,615,020 |
| | | (1) | (2) | |
| (1) Charged to Depreciation and Amortization Expense | | \$ 3,396,556 | | |
| Charged to Clearing and Other Expense Accounts | | 450,007 | | |
| | | \$ 3,846,563 | | |
| (2) Cost of Units Retired | | | \$ 1,370,361 | |
| Add: Cost of Removal | | | 127,705 | |
| Less: Salvage and Other Credits | | | 179,255 | |
| Loss Due to Retirements | | | \$ 1,318,811 | |

NAVOPACHE ELECTRIC COOPERATIVE, INC.

Schedule 3

OTHER PROPERTY AND INVESTMENTS
FOR THE YEARS ENDED APRIL 30, 2010 AND 2009

| | April 30, | |
|--|---------------------|---------------------|
| | 2010 | 2009 |
| NOTES RECEIVABLE | | |
| Weatherization Loans | \$ 40,918 | \$ 55,409 |
| Other | 7,060 | 14,259 |
| Total Notes Receivable | <u>\$ 47,978</u> | <u>\$ 69,668</u> |
| INVESTMENTS IN ASSOCIATED ORGANIZATIONS | | |
| Memberships | | |
| Grand Canyon State Electric Cooperatives, Inc. | \$ 100 | \$ 100 |
| Electric Resources & Manufacturing Cooperative, Inc. | 100 | 100 |
| CFC | 1,000 | 1,000 |
| Patronage Capital | | |
| Grand Canyon State Electric Cooperatives, Inc. | | |
| Electric Resources & Manufacturing Cooperative, Inc. | 261,975 | 242,582 |
| NISC/CADP | 57,781 | 50,142 |
| CFC | 252,386 | 236,764 |
| Arkansas Electric Copperative, Inc. | 1,200 | 545 |
| Other | 366 | 366 |
| Capital Term Certificates | | |
| CFC | 1,335,119 | 1,338,907 |
| CFC - Member Capital Securities | 100,000 | |
| Federated Insurance Equity | 164,005 | 156,147 |
| Total Investments in Associated Organizations | <u>\$ 2,174,032</u> | <u>\$ 2,026,653</u> |
| TOTAL OTHER PROPERTY AND INVESTMENTS | <u>\$ 2,222,010</u> | <u>\$ 2,096,321</u> |

NAVOPACHE ELECTRIC COOPERATIVE, INC.

Schedule 4

PATRONAGE CAPITAL

APRIL 30, 2010

| <u>Calendar Year</u> | <u>Assigned</u> | <u>Assignable</u> | <u>Retired</u> | <u>Balance</u> |
|--------------------------|----------------------|-------------------|---------------------|----------------------|
| 1973 and Prior | \$ 2,496,022 | \$ | \$ 2,496,022 | \$ |
| 1974 | 239,987 | | 15,099 | 224,888 |
| 1975 | 69,471 | | 4,354 | 65,117 |
| 1976 | 135,025 | | 8,728 | 126,297 |
| 1977 | 234,025 | | 13,881 | 220,144 |
| 1978 | 394,439 | | 23,061 | 371,378 |
| 1979 | 636,186 | | 34,069 | 602,117 |
| 1980 | 342,690 | | 18,320 | 324,370 |
| 1981 | 194,500 | | 9,365 | 185,135 |
| 1982 | 185,978 | | 9,149 | 176,829 |
| 1983 | 440,782 | | 22,305 | 418,477 |
| 1984 | 1,119,480 | | 59,788 | 1,059,692 |
| 1985 | 300,089 | | 17,128 | 282,961 |
| 1986 | 599,574 | | 34,961 | 564,613 |
| 1987 | 1,113,700 | | 66,215 | 1,047,485 |
| 1988 | 608,306 | | 34,930 | 573,376 |
| 1989 | 486,743 | | 28,640 | 458,103 |
| 1993 | 979,412 | | 54,383 | 925,029 |
| 1994 | 1,262,500 | | 70,952 | 1,191,548 |
| 1995 | 714,276 | | 40,756 | 673,520 |
| 1996 | 778,542 | | 43,566 | 734,976 |
| 2002 | 1,375,953 | | 44,179 | 1,331,774 |
| 2003 | 1,651,371 | | 53,796 | 1,597,575 |
| 2004 | 2,116,361 | | 58,089 | 2,058,272 |
| 2005 | 1,688,496 | | 39,654 | 1,648,842 |
| 2006 | 2,148,158 | | 36,232 | 2,111,926 |
| 2007 | 2,574,429 | | 27,578 | 2,546,851 |
| 2008 | 2,140,057 | | 12,578 | 2,127,479 |
| 2009 | 636,599 | | 35 | 636,564 |
| 2010 | | 780,320 | | 780,320 |
| | <u>\$ 27,663,151</u> | <u>\$ 780,320</u> | <u>\$ 3,377,813</u> | <u>\$ 25,065,658</u> |

Note: There were no assignments for the years 1990, 1991, 1992, 1997, 1998, 1999, 2000, and 2001 due to losses sustained.

NAVOPACHE ELECTRIC COOPERATIVE, INC.

Schedule 5

RUS, FFB, AND CFC MORTGAGE NOTES

APRIL 30, 2010

RUS Mortgage Notes

| Date of Note | Interest Rate | Principal Amount | Deferred Interest | Amount Unadvanced | Principal Repayments | Net Obligation |
|------------------|---------------|------------------|-------------------|-------------------|----------------------|----------------|
| 01-26-83 | 5.00% | \$ 1,780,500 | \$ | \$ | \$ 1,078,448 | \$ 704,052 |
| 01-26-83 | 5.00% | 1,780,500 | | | 1,074,235 | 706,265 |
| 03-05-87 | 5.00% | 3,029,000 | | | 1,366,722 | 1,662,278 |
| 03-05-87 | 5.00% | 3,029,000 | | | 1,319,060 | 1,709,940 |
| 03-03-93 | 5.00% | 1,766,000 | | | 480,691 | 1,285,309 |
| 03-03-93 | 5.00% | 1,766,000 | | | 445,873 | 1,320,127 |
| 08-01-96 | 5.00% | 2,000,000 | | | 384,084 | 1,615,916 |
| 08-01-96 | 5.00% | 1,520,000 | | | 291,903 | 1,228,097 |
| 08-01-96 | 5.00% | 1,500,000 | | | 280,745 | 1,219,255 |
| 08-01-96 | 5.00% | 2,100,000 | | | 380,435 | 1,719,565 |
| 08-01-96 | 5.00% | 1,026,000 | | | 179,561 | 846,439 |
| 08-01-96 | 5.00% | 183,663 | | | 29,124 | 154,539 |
| 10-03-05 | 4.84% | 6,000,000 | | | 205,658 | 5,794,342 |
| 10-03-05 | 0.49% | 8,000,000 | | | 236,851 | 7,763,149 |
| 10-03-05 | 2.37% | 5,000,000 | | | 28,614 | 4,971,386 |
| Unadvanced Notes | | 19,231,000 | | 14,231,000 | | |
| Total RUS | | \$ 59,711,663 | \$ 0 | \$ 14,231,000 | \$ 7,780,004 | \$ 32,700,659 |

FFB Mortgage Notes

| | | | | | | |
|-----------|-------|---------------|------|------|--------------|---------------|
| 06-17-03 | 1.60% | 10,000,000 | | | 1,832,061 | 8,167,939 |
| 11-19-04 | 4.66% | 1,443,000 | | | 121,535 | 1,321,465 |
| 11-23-04 | 3.59% | 5,000,000 | | | 852,713 | 4,147,287 |
| 04-04-05 | 4.11% | 3,000,000 | | | 452,381 | 2,547,619 |
| 05-09-06 | 3.83% | 1,649,739 | | | 237,562 | 1,412,177 |
| 05-12-06 | 4.43% | 2,500,000 | | | 342,742 | 2,157,258 |
| 05-31-06 | 5.27% | 2,421,261 | | | 297,696 | 2,123,565 |
| Total FFB | | \$ 26,014,000 | \$ 0 | \$ 0 | \$ 4,136,690 | \$ 21,877,310 |

CFC Mortgage Notes

| | | | | | | |
|-----------|-------|---------------|------|------|--------------|--------------|
| 06-01-96 | 5.65% | \$ 440,000 | \$ | \$ | \$ 416,477 | \$ 23,523 |
| 06-01-96 | 5.65% | 1,401,000 | | | 1,192,475 | 208,525 |
| 06-01-96 | 5.65% | 430,000 | | | 323,129 | 106,871 |
| 06-01-96 | 5.80% | 1,399,000 | | | 898,173 | 500,827 |
| 06-01-96 | 5.65% | 1,607,000 | | | 857,156 | 749,844 |
| 06-01-96 | 6.00% | 2,704,167 | | | 1,019,603 | 1,684,564 |
| 06-01-96 | 6.50% | 1,559,794 | | | 393,395 | 1,166,399 |
| 09-18-03 | 5.05% | 431,738 | | | 395,347 | 36,391 |
| 09-18-03 | 5.25% | 411,670 | | | 320,189 | 91,481 |
| 09-18-03 | 5.50% | 416,009 | | | 278,685 | 137,324 |
| 09-18-03 | 5.65% | 230,005 | | | 133,968 | 96,037 |
| 09-18-03 | 5.65% | 224,754 | | | 114,965 | 109,789 |
| 09-18-03 | 5.70% | 187,042 | | | 84,732 | 102,310 |
| 09-18-03 | 5.70% | 39,789 | | | 18,024 | 21,765 |
| Total CFC | | \$ 11,481,968 | \$ 0 | \$ 0 | \$ 6,446,318 | \$ 5,035,650 |

Net obligation includes \$1,054,000 due RUS, \$591,000 due FFB and \$651,000 due CFC payable within one year and classified as current liabilities on the balance sheet.

NAVOPACHE ELECTRIC COOPERATIVE, INC.

Schedule 6

FIVE YEAR COMPARATIVE DATA
FOR THE YEARS ENDED APRIL 30, 2010, 2009, 2008, 2007, AND 2006

| | 2010 | 2009 | April 30, 2008 | 2007 | 2006 |
|---|---------------|---------------|-------------------|---------------|---------------|
| OPERATING REVENUE | | | | | |
| Residential | \$ 25,803,003 | \$ 25,487,606 | \$ 24,701,635 | \$ 24,021,491 | \$ 22,464,865 |
| Irrigation | 519,146 | 590,462 | 613,010 | 623,929 | 618,228 |
| Commercial and Industrial | 13,435,037 | 14,482,254 | 14,055,045 | 13,814,307 | 13,361,705 |
| Public Buildings and Other Authorities | 92,018 | 91,956 | 86,906 | 86,185 | 82,986 |
| Rent from Electric Property and Other Electric Revenue | 675,625 | 816,568 | 852,612 | 874,490 | 804,697 |
| Power Cost Adjustment (Over) Underbilled | 1,040,190 | (1,023,961) | 1,067,989 | (740,010) | 425,572 |
| Total Operating Revenue | \$ 41,565,019 | \$ 40,444,885 | \$ 41,377,197 | \$ 38,680,392 | \$ 37,758,053 |
| OPERATING EXPENSES | | | | | |
| Purchased Power | \$ 21,646,510 | \$ 20,382,532 | \$ 21,324,043 | \$ 19,570,345 | \$ 19,475,524 |
| Transmission | 141,386 | 90,404 | 167,082 | 88,286 | 102,641 |
| Distribution - Operation | 2,765,170 | 3,287,840 | 3,043,131 | 3,017,148 | 3,295,958 |
| Distribution - Maintenance | 2,898,261 | 2,248,589 | 1,907,393 | 1,721,688 | 1,804,404 |
| Consumer Accounts | 3,019,812 | 3,112,889 | 2,765,770 | 2,626,537 | 2,525,092 |
| Customer Service and Information | 579,011 | 635,036 | 542,717 | 547,372 | 464,668 |
| Administrative and General | 4,077,612 | 3,874,117 | 3,707,863 | 3,314,066 | 3,503,024 |
| Depreciation and Amortization | 3,396,556 | 3,197,604 | 3,054,702 | 2,951,845 | 2,723,207 |
| Taxes | 51,915 | 54,316 | 64,551 | 71,665 | 55,030 |
| Other Interest | 42,379 | 44,327 | 50,562 | 45,094 | 34,077 |
| Other Deductions | 52,794 | 22,492 | 10,171 | 13,679 | 24,888 |
| Total Operating Expenses | \$ 38,671,406 | \$ 36,950,146 | \$ 36,637,985 | \$ 33,967,725 | \$ 34,008,513 |
| OPERATING MARGINS - Before Fixed Charges | \$ 2,893,613 | \$ 3,494,739 | \$ 4,739,212 | \$ 4,712,667 | \$ 3,749,540 |
| FIXED CHARGES | | | | | |
| Interest on Long-Term Debt | 2,087,002 | 2,201,706 | 2,407,248 | 2,329,548 | 2,046,236 |
| OPERATING MARGINS - After Fixed Charges | \$ 806,611 | \$ 1,293,033 | \$ 2,331,966 | \$ 2,383,119 | \$ 1,703,304 |
| Capital Credits | 135,997 | 326,998 | 135,238 | 82,101 | 71,927 |
| NET OPERATING MARGINS | \$ 942,608 | \$ 1,620,031 | \$ 2,467,204 | \$ 2,465,220 | \$ 1,775,231 |
| NON-OPERATING MARGINS | | | | | |
| Interest Income | \$ 66,415 | \$ 116,341 | \$ 297,844 | \$ 262,326 | \$ 169,441 |
| Other Non-Operating Loss | (2,010) | 459 | (11,550) | (5,820) | (62,337) |
| | \$ 64,405 | \$ 116,800 | \$ 286,294 | \$ 256,506 | \$ 107,104 |
| NET MARGINS | \$ 1,007,013 | \$ 1,736,831 | \$ 2,753,498 | \$ 2,721,726 | \$ 1,882,335 |
| Miscellaneous Statistics | | | | | |
| MWH Sales | 428,803 | 427,572 | 428,800 | 409,400 | 383,559 |
| Times Interest Earned Ratio | 1.48 | 1.79 | 2.14 | 2.17 | 1.92 |
| Debt Service Coverage | 1.56 | 1.65 | 1.75 | 1.72 | 1.55 |
| Equity to Total Assets Excluding Other Comprehensive Income | 25.29% | 25.18% | 25.52% | 23.67% | 21.48% |
| Equity to Total Capitalization | 27.85% | 27.87% | 28.07% | 27.31% | 24.25% |

COMPLIANCE AND INTERNAL CONTROL

BOLINGER, SEGARS, GILBERT & MOSS, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

PHONE: (806) 747-3806

FAX: (806) 747-3815

8215 NASHVILLE AVENUE

LUBBOCK, TEXAS 79423-1954

**LETTER TO BOARD OF DIRECTORS REGARDING RUS, 7 CFR,
PART 1773, POLICIES CONCERNING AUDITS OF RUS BORROWERS**

Board of Directors
Navopache Electric Cooperative, Inc.
Lakeside, Arizona

We have audited the financial statements of Navopache Electric Cooperative, Inc. for the year ended April 30, 2010, and have issued our report thereon dated July 13, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and 7 CFR Part 1773, Policy on Audits of Rural Utilities Service (RUS) Borrowers. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

In planning and performing our audit of the financial statements of Navopache Electric Cooperative, Inc. for the year ended April 30, 2010, we considered their internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Navopache Electric Cooperative, Inc.'s internal control over financial reporting.

Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of the specific internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting that we consider to be material weaknesses.

7 CFR Part 1773.33 requires comments on specific aspects of the internal control over financial reporting, compliance with specific RUS loan and security instrument provisions, and other additional matters. We have grouped our comments accordingly. In addition to obtaining reasonable assurance about whether the financial statements are free from material misstatements, at your request, we performed tests of specific aspects of the internal control over financial reporting, of compliance with specific RUS loan and security instrument provisions, and of additional matters. The specific aspects of the internal control over financial reporting, compliance with specific RUS loan and security instrument provisions, and additional matters tested include, among other things, the accounting procedures and records, materials control, compliance with specific RUS loan and security instrument provisions set forth in 7 CFR Part 1773.33(e)(1), related party transactions, depreciation rates, a schedule of deferred debits and credits, and a schedule of investments, upon which we express an opinion. In addition, our audit of the financial statements also included the procedures specified in 7 CFR Part 1773.38 -.45. Our objective was not to provide an opinion on these specific aspects of the internal control over financial reporting, compliance with specific RUS loan and security instrument provisions, or additional matters, and accordingly, we express no opinion thereon.

and accordingly, we express no opinion thereon.

No reports (other than our independent auditors' report and our independent auditors' report on compliance and on internal control over financial reporting, both dated July 13, 2010) have been furnished to management.

Our comments on specific aspects of the internal control over financial reporting, compliance with specific RUS loan and security instrument provisions, and other additional matters as required by 7 CFR Part 1773.33 are presented below.

COMMENTS ON CERTAIN SPECIFIC ASPECTS OF THE INTERNAL CONTROL OVER FINANCIAL REPORTING

We noted no matters regarding Navopache Electric Cooperative, Inc.'s internal control over financial reporting and its operation that we consider to be a material weakness as previously defined with respect to:

- the accounting procedures and records; except as discussed in the letter on internal controls;
- the process for accumulating and recording labor, material, and overhead costs, and the distribution of these costs to construction, retirement, and maintenance or other expense accounts; and,
- the materials control.

COMMENTS ON COMPLIANCE WITH SPECIFIC RUS LOAN AND SECURITY INSTRUMENT PROVISIONS

At your request, we have performed the procedures enumerated below with respect to compliance with certain provisions of laws, regulations, contracts, and grants. The procedures we performed are summarized as follows:

- Procedures performed with respect to the requirement for a borrower to obtain written approval of the mortgagee to enter into any contract for the operation or maintenance of property, or for the use of mortgaged property by others for the year ended April 30, 2010, of Navopache Electric Cooperative, Inc.:
 - Obtained and read a borrower-prepared schedule of new written contracts entered into during the year for the operation or maintenance of its property, or for the use of its property by others, as defined in §1773.33(e)(1)(i).
 - Reviewed Board of Director minutes to ascertain whether board-approved written contracts are included in the borrower-prepared schedule.
 - Noted the existence of written RUS and CFC approval of each contract listed by the borrower.
- Procedure performed with respect to the requirement to submit RUS Form 7 to the RUS:

- Agreed amounts reported in Form 7 to Navopache Electric Cooperative, Inc.'s records.

The results of our tests indicate that, with respect to the items tested, Navopache Electric Cooperative, Inc. complied, in all material respects, with the specific RUS loan and security instrument provisions referred to below. The specific provisions tested, as well as any exceptions noted, include the requirements that:

- The borrower maintains all funds from loans made or guaranteed by RUS in institutions whose accounts are insured by an agency of the federal government.
- The borrower has obtained written approval of the RUS and CFC to enter into any contract for the operation or maintenance of property, or for the use of mortgaged property by others, as defined in §1773.33(e)(1)(i); and
- The borrower has submitted its Form 7 to the RUS and the Form 7, Financial and Statistical Report, as of December 31, 2010, represented by the borrower as having been submitted to RUS, appears reasonable based upon the audit procedures performed.

COMMENTS ON OTHER ADDITIONAL MATTERS

In connection with our audit of the financial statements of Navopache Electric Cooperative, Inc., nothing came to our attention that caused us to believe that Navopache Electric Cooperative, Inc. failed to comply with respect to:

- The reconciliation of continuing property records to the controlling general ledger plant accounts addressed at 7 CFR Part 1773.33(c)(1);
- The clearing of construction accounts and the accrual of depreciation on completed construction addressed at 7 CFR Part 1773.33(c)(2);
- The retirement of plant addressed at 7 CFR Parts 1773.33(c)(3) and (4);
- Approval of the sale, lease, or transfer of capital assets and disposition of proceeds for the sale, or lease of plant, material, or scrap addressed at 7 CFR 1773.33 (c)(5);
- The disclosure of material related party transactions, in accordance with generally accepted accounting principles in the United States of America, for the year ended April 30, 2010, in the financial statements referenced in the first paragraph of this report addressed at 7 CFR Part 1773.33(f);
- The depreciation rates addressed at 7 CFR Part 1773.33(g);
- The detailed schedule of deferred debits and deferred credits; and
- The detailed schedule of investments.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The detailed schedule of deferred debits and deferred credits required by 7 CFR Part 1773.33(h) and the detail schedule of investments in affiliated companies required by 7 CFR 1733.33(i), and

provided below are presented for purposes of additional analysis and are not a required part of the basic financial statements. This information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Deferred charges consist of the following:

| | |
|---------------------------|-------------------|
| New Building Construction | \$ <u>958,436</u> |
|---------------------------|-------------------|

Deferred credits consist of:

| | |
|---|---------------------|
| Refundable Construction Advances | \$ 334,635 |
| Unclaimed Checks | 5,582 |
| Accrued Consumer Deposit Interest | 105,065 |
| Environmental Portfolio Standard Activity | 1,827,291 |
| Other | <u>6,860</u> |
| | \$ <u>2,279,433</u> |

Investment in Affiliated Companies consist of: N/A

This report is intended solely for the information and use of the Board of Directors, management, the Rural Utilities Service, and supplemental lenders, and is not intended to be and should not be used by anyone other than these specified parties.

Bolinger, Segars, Gilbert & Mass LLP

Certified Public Accountants

July 13, 2010

BOLINGER, SEGARS, GILBERT & MOSS, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

PHONE: (806) 747-3806

FAX: (806) 747-3815

8215 NASHVILLE AVENUE

LUBBOCK, TEXAS 79423-1954

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Board of Directors
Navopache Electric Cooperative, Inc.
Lakeside, Arizona

We have audited the financial statements of Navopache Electric Cooperative, Inc. as of and for the year ended April 30, 2010, and have issued our report thereon dated July 13, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Navopache Electric Cooperative, Inc.'s internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Cooperative's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Cooperative's internal control over financial reporting.

A deficiency in internal control exists with the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Navopache Electric Cooperative, Inc.'s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

This communication is intended for the information of the Board of Directors, management, Rural Utilities Services, and supplemental lenders, and is not intended to be and should not be used by anyone other than these specified parties.

Balinger, Segars, Gilbert & Moss LLP

Certified Public Accountants

July 13, 2010

ATTACHMENT 5

NAVOPACHE ELECTRIC COOPERATIVE, INC.

SUMMARY OF BILL FREQUENCY REPORT

| | Consumers from Bill Frequency | | | Consumers | | kWh Sold | | |
|----------------------------------|-------------------------------|---------|---------|-----------|---------|-------------|---------|---------|
| | Total | Average | Median | Total | Average | Total | Average | Median |
| Arizona | | | | | | | | |
| Residential | 365,572 | 30,464 | 182,786 | 352,585 | 29,382 | 167,248,731 | 474 | 184 |
| Residential - TOU 6 Month | 10,111 | 1,685 | 5,056 | 8,808 | 734 | 12,137,237 | 1,378 | 288 |
| Residential - TOU 12 Month | 56,885 | 4,740 | 28,443 | 52,083 | 4,340 | 62,102,552 | 1,192 | 327 |
| Commercial & Industrial | 2,746 | 229 | 1,373 | 2,540 | 212 | 54,473,656 | 21,448 | 4,418 |
| Commercial & Industrial - Pri | 21 | 2 | 11 | 20 | 2 | 442,200 | 22,523 | 11,043 |
| Commercial & Industrial TOU | 686 | 57 | 343 | 628 | 52 | 33,653,055 | 53,619 | 12,323 |
| Comm & Ind TOU - Primary | 65 | 5 | 33 | 60 | 5 | 11,197,800 | 186,630 | 93,526 |
| Large Commercial - Interruptible | 26 | 2 | 13 | 24 | 2 | 4,694,400 | 195,600 | 100,685 |
| Small Commercial | 35,768 | 2,981 | 17,884 | 35,289 | 2,941 | 51,326,854 | 1,454 | 278 |
| Sm Comm - TOU 6 Month | 1,597 | 266 | 799 | 1,465 | 122 | 4,484,435 | 3,061 | 642 |
| Sm Comm - TOU 12 Month | 1,046 | 87 | 523 | 962 | 80 | 2,126,348 | 2,210 | 372 |
| Irrigation & Water Pumping | 595 | 50 | 298 | 629 | 52 | 5,076,453 | 8,074 | 1,737 |
| Irrigation & Water Pumping TOU | 155 | 13 | 78 | 157 | 13 | 1,506,252 | 9,594 | 1,543 |

ATTACHMENT 6

NAVOPACHE ELECTRIC COOPERATIVE, INC.

SUMMARY OF RATE CHANGE

| | Adjusted Revenue | Proposed Revenue | Change - \$ | Change - % |
|----------------------------------|---------------------|---------------------|-------------|------------|
| Total System | | | | |
| Residential | 22,205,815 | 24,162,965 | 1,957,150 | 8.81% |
| Residential - TOU 6 Month | 1,128,073 | 1,194,179 | 66,106 | 5.86% |
| Residential - TOU 12 Month | 6,336,693 | 7,063,722 | 727,029 | 11.47% |
| Commercial & Industrial | 5,407,907 | 5,617,365 | 209,458 | 3.87% |
| Commercial & Industrial - Pri | 63,859 | 68,169 | 4,310 | 6.75% |
| Commercial & Industrial TOU | 2,863,584 | 2,868,706 | 5,122 | 0.18% |
| Comm & Ind TOU - Primary | 942,337 | 955,109 | 12,772 | 1.36% |
| Large Commercial - Interruptible | 372,681 | 380,494 | 7,813 | 2.10% |
| Small Commercial | 5,840,092 | 6,069,333 | 229,241 | 3.93% |
| Sm Comm - TOU 6 Month | 476,215 | 481,850 | 5,635 | 1.18% |
| Sm Comm - TOU 12 Month | 224,964 | 230,200 | 5,236 | 2.33% |
| Irrigation & Water Pumping | 556,378 | 571,529 | 15,151 | 2.72% |
| Irrigation & Water Pumping TOU | 147,286 | 153,603 | 6,317 | 4.29% |
| Lighting | 419,625 | 442,077 | 22,452 | 5.35% |
| Total | 46,985,509 | 50,259,302 | 3,273,793 | 6.97% |
| Other Revenue | 675,725 | 815,595 | 139,870 | 20.70% |
| Total Revenue | 47,661,234 | 51,074,897 | 3,413,663 | 7.16% |

NAVOPACHE ELECTRIC COOPERATIVE, INC.

SUMMARY OF RATE CHANGE

| | Adjusted Revenue | Proposed Revenue | Change - \$ | Change - % |
|----------------------------------|---------------------|---------------------|-------------|------------|
| Arizona | | | | |
| Residential | 21,424,467 | 23,305,358 | 1,880,891 | 8.78% |
| Residential - TOU 6 Month | 1,117,401 | 1,182,688 | 65,288 | 5.84% |
| Residential - TOU 12 Month | 6,203,480 | 6,913,655 | 710,175 | 11.45% |
| Commercial & Industrial | 5,355,103 | 5,564,777 | 209,673 | 3.92% |
| Commercial & Industrial - Pri | 63,859 | 68,169 | 4,310 | 6.75% |
| Commercial & Industrial TOU | 2,841,152 | 2,843,517 | 2,366 | 0.08% |
| Comm & Ind TOU - Primary | 942,337 | 955,109 | 12,772 | 1.36% |
| Large Commercial - Interruptible | 372,681 | 380,494 | 7,813 | 2.10% |
| Small Commercial | 5,567,621 | 5,780,613 | 212,991 | 3.83% |
| Sm Comm - TOU 6 Month | 451,479 | 456,449 | 4,970 | 1.10% |
| Sm Comm - TOU 12 Month | 224,964 | 230,200 | 5,236 | 2.33% |
| Irrigation & Water Pumping | 549,125 | 562,474 | 13,348 | 2.43% |
| Irrigation & Water Pumping TOU | 147,286 | 153,603 | 6,317 | 4.29% |
| Lighting | 416,680 | 438,964 | 22,283 | 5.35% |
| Total | 45,677,636 | 48,836,070 | 3,158,434 | 6.91% |
| New Mexico | | | | |
| Residential | 781,348 | 857,607 | 76,259 | 9.76% |
| Residential - TOU 6 Month | 10,672 | 11,490 | 818 | 7.67% |
| Residential - TOU 12 Month | 133,213 | 150,068 | 16,854 | 12.65% |
| Commercial & Industrial | 52,804 | 52,588 | (215) | -0.41% |
| Commercial & Industrial - Pri | | | | |
| Commercial & Industrial TOU | | | | |
| Comm & Ind TOU - Primary | 22,432 | 25,189 | 2,757 | 12.29% |
| Large Commercial - Interruptible | | | | |
| Small Commercial | 272,471 | 288,720 | 16,250 | 5.96% |
| Sm Comm - TOU 6 Month | 24,736 | 25,401 | 665 | 2.69% |
| Sm Comm - TOU 12 Month | | | | |
| Irrigation & Water Pumping | 7,252 | 9,055 | 1,803 | 24.86% |
| Irrigation & Water Pumping TOU | | | | |
| Lighting | 2,944 | 3,113 | 169 | 5.73% |
| Total | 1,307,873 | 1,423,232 | 115,359 | 8.82% |

ATTACHMENT 7

NAVOPACHE ELECTRIC COOPERATIVE, INC.

WEIGHTED INTEREST RATE
AS OF APRIL 30, 2010

| | Principal Outstanding | % of Total | Interest Rate | Weighted Interest Rate |
|----------------------|--------------------------|---------------|------------------|------------------------------|
| RUS 5% Monthly | \$ 14,171,782.00 | 23.773% | 5.000% | 1.189% |
| 1B290 | 5,794,342.00 | 9.720% | 4.840% | 0.470% |
| 1B291 | 7,763,149.00 | 13.022% | 0.490% | 0.064% |
| 1B292 | 4,971,386.00 | 8.339% | 2.370% | 0.198% |
| Total RUS | \$ 32,700,659.00 | 54.854% | | 1.921% |
| H0010 | \$ 8,167,939.00 | 13.701% | 1.600% | 0.219% |
| H0015 | 1,321,465.00 | 2.217% | 4.660% | 0.103% |
| H0020 | 4,147,287.00 | 6.957% | 3.590% | 0.250% |
| H0025 | 2,547,619.00 | 4.274% | 4.110% | 0.176% |
| H0030 | 1,412,177.00 | 2.369% | 3.830% | 0.091% |
| H0035 | 2,157,258.00 | 3.619% | 4.430% | 0.160% |
| H0040 | 2,123,565.00 | 3.562% | 5.270% | 0.188% |
| Total FFB | \$ 21,877,310.00 | 36.699% | | 1.187% |
| 9004 | \$ 23,523.00 | 0.039% | 5.650% | 0.002% |
| 9007 | 208,525.00 | 0.350% | 5.650% | 0.020% |
| 9011 | 106,871.00 | 0.179% | 5.650% | 0.010% |
| 9014 | 500,827.00 | 0.840% | 5.800% | 0.049% |
| 9017 | 749,844.00 | 1.258% | 5.650% | 0.071% |
| 9018 | 1,684,564.00 | 2.826% | 6.000% | 0.170% |
| 9019 | 1,166,399.00 | 1.957% | 6.500% | 0.127% |
| 9020-007 | 36,391.00 | 0.061% | 5.050% | 0.003% |
| 9020-008 | 91,481.00 | 0.153% | 5.250% | 0.008% |
| 9020-009 | 137,324.00 | 0.230% | 5.500% | 0.013% |
| 9020-010 | 96,037.00 | 0.161% | 5.650% | 0.009% |
| 9020-011 | 109,789.00 | 0.184% | 5.650% | 0.010% |
| 9020-012 | 102,310.00 | 0.172% | 5.700% | 0.010% |
| 9020-013 | 21,765.00 | 0.037% | 5.700% | 0.002% |
| Total CFC | \$ 5,035,650.00 | 8.447% | | 0.504% |
| Total Long Term Debt | \$ 59,613,619.00 | 100.000% | | 3.611% |

NAVOPACHE ELECTRIC COOPERATIVE, INC.

INTEREST ON LONG-TERM DEBT

| | Principal Outstanding | Interest Rate | Interest |
|---------------------------|--------------------------|------------------|---------------|
| RUS 5% Quarterly | \$ 14,171,782.00 | \$ 5.000% | \$ 708,589 |
| 1B290 | 5,794,342.00 | 4.840% | 280,446 |
| 1B291 | 7,763,149.00 | 0.490% | 38,039 |
| 1B292 | 4,971,386.00 | 2.370% | 117,822 |
| Additional Draw - 11/2010 | 3,700,000.00 | 1.500% | 55,500 |
| Additional Draw - 2011 | 7,000,000.00 | 4.000% | 280,000 |
| Total RUS | \$ 43,400,659.00 | | \$ 1,480,396 |
| H0010 | \$ 8,167,939.00 | 1.600% | \$ 130,687 |
| H0015 | 1,321,465.00 | 4.660% | 61,580 |
| H0020 | 4,147,287.00 | 3.590% | 148,888 |
| H0025 | 2,547,619.00 | 2.742% | 69,856 |
| H0030 | 1,412,177.00 | 3.830% | 54,086 |
| H0035 | 2,157,258.00 | 4.430% | 95,567 |
| H0040 | 2,123,565.00 | 5.270% | 111,912 |
| Fee | | 0.125% | 27,347 |
| Total FFB Debt | \$ 21,877,310.00 | | \$ 699,922.64 |
| 9004 | \$ 23,523.00 | 5.650% | \$ 1,329 |
| 9007 | 208,525.00 | 5.650% | 11,782 |
| 9011 | 106,871.00 | 5.650% | 6,038 |
| 9014 | 500,827.00 | 5.800% | 29,048 |
| 9017 | 749,844.00 | 5.650% | 42,366 |
| 9018 | 1,684,564.00 | 6.000% | 101,074 |
| 9019 | 1,166,399.00 | 6.500% | 75,816 |
| 9020-007 | 36,391.00 | 5.050% | 1,838 |
| 9020-008 | 91,481.00 | 5.250% | 4,803 |
| 9020-009 | 137,324.00 | 5.500% | 7,553 |
| 9020-010 | 96,037.00 | 5.650% | 5,426 |
| 9020-011 | 109,789.00 | 5.650% | 6,203 |
| 9020-012 | 102,310.00 | 5.700% | 5,832 |
| 9020-013 | 21,765.00 | 5.700% | 1,241 |
| Performance Discount | | -0.125% | (6,295) |
| Additional Draw | 0.00 | 0.000% | 0 |
| Total CFC | \$ 5,035,650.00 | | \$ 294,054 |
| Total Long Term Debt | \$ 70,313,619.00 | | \$ 2,474,373 |
| Test Year Expense | | | 2,087,002 |
| Adjustment | | | \$ 387,371 |
| Average Interest Rate | | | 3.519052% |

ATTACHMENT 8

NAVOPACHE ELECTRIC COOPERATIVE, INC.

MONTHLY OPERATING TIER COVERAGE

| | Test Year 4/30/2010 | Prior Year 3/30/2010 | Projected 4/31/2011 |
|-----------|------------------------|-------------------------|------------------------|
| May | 2.71 | 3.12 | 0.85 |
| June | 4.34 | 2.76 | 0.85 |
| July | -1.35 | 0.08 | 0.85 |
| August | 0.25 | 1.77 | 0.85 |
| September | 2.27 | 1.77 | 0.85 |
| October | 0.97 | 1.54 | 0.85 |
| November | 1.42 | 1.96 | 0.85 |
| December | -2.10 | -0.48 | 0.85 |
| January | 2.71 | 3.05 | 0.85 |
| February | 0.54 | 2.16 | 0.85 |
| March | 2.49 | 2.34 | 0.85 |
| April | 2.42 | -1.40 | 0.85 |
| Annual | 1.39 | 1.59 | 0.85 |

Operating TIER = (Operating Margins + Interest on LT Debt) / Interest on LT Debt

ATTACHMENT 9

NAVOPACHE ELECTRIC COOPERATIVE, INC.

INCOME STATEMENT
APRIL 30, 2010

| | Test Year 4/30/2010 (a) | Adjustments (b) | Adjusted Test Year (c) | Rate Change (d) | Adjusted Test Year w/ Rate Change (e) |
|--|-------------------------------|--------------------|------------------------------|-----------------------|--|
| Operating Revenues | | | | | |
| Base Revenue | \$ 38,506,696 | \$ (1,486,561) | \$ 37,020,135 | \$ 13,239,167 | \$ 50,259,302 |
| PCA Revenue | 1,792,659 | 8,172,715 | 9,965,374 | (9,965,374) | 0 |
| PCA Over/Under | 2,365,686 | (2,365,686) | 0 | | 0 |
| CTC | (1,775,645) | 1,775,645 | 0 | | 0 |
| Other | 675,725 | (0) | 675,725 | 139,870 | 815,595 |
| Total | \$ 41,565,121 | \$ 6,096,113 | \$ 47,661,234 | \$ 3,413,663 | \$ 51,074,897 |
| Operating Expenses | | | | | |
| Purchased Power | \$ 21,646,511 | \$ 6,337,836 | \$ 27,984,347 | \$ | \$ 27,984,347 |
| Transmission O&M | 141,316 | (56,568) | 84,748 | | 84,748 |
| Distribution-Operations | 2,765,171 | (393,504) | 2,371,667 | | 2,371,667 |
| Distribution-Maintenance | 2,898,333 | (382,943) | 2,515,390 | | 2,515,390 |
| Consumer Accounting | 3,019,812 | 116,604 | 3,136,416 | | 3,136,416 |
| Customer Service | 352,070 | 19,547 | 371,617 | | 371,617 |
| Sales | 226,941 | 18,144 | 245,085 | | 245,085 |
| Administrative & General | 4,077,611 | 297,905 | 4,375,516 | | 4,375,516 |
| Depreciation | 3,396,556 | 295,013 | 3,691,569 | | 3,691,569 |
| Tax | 51,915 | 638,329 | 690,244 | | 690,244 |
| Total | \$ 38,576,235 | \$ 6,890,363 | \$ 45,466,598 | \$ 0 | \$ 45,466,598 |
| Return | \$ 2,988,886 | \$ (794,250) | \$ 2,194,636 | \$ 3,413,663 | \$ 5,608,299 |
| Interest & Other Deductions | | | | | |
| Interest L-T Debt | \$ 2,087,002 | \$ 387,371 | \$ 2,474,373 | \$ | \$ 2,474,373 |
| Amortize RUS Gain | 0 | | 0 | | 0 |
| Interest-Other | 42,379 | | 42,379 | | 42,379 |
| Other Deductions | 52,794 | | 52,794 | | 52,794 |
| Total | \$ 2,182,175 | \$ 387,371 | \$ 2,569,546 | \$ 0 | \$ 2,569,546 |
| Operating Margin | \$ 806,711 | \$ (1,181,621) | \$ (374,909) | \$ 3,413,663 | \$ 3,038,754 |
| Non-Operating Margins | | | | | |
| Interest Income | \$ 66,414 | \$ | \$ 66,414 | \$ | \$ 66,414 |
| Gain(Loss) Equity Investments | 0 | | 0 | | 0 |
| Other Margins | (2,110) | | (2,110) | | (2,110) |
| G&T Capital Credits | 0 | | 0 | | 0 |
| Other Capital Credits | 135,997 | | 135,997 | | 135,997 |
| Total | \$ 200,301 | \$ 0 | \$ 200,301 | \$ 0 | \$ 200,301 |
| Net Margins | \$ 1,007,013 | \$ (1,181,621) | \$ (174,608) | \$ 3,413,663 | \$ 3,239,055 |
| Operating TIER | 1.39 | | 0.85 | | 2.23 |
| Net TIER | 1.48 | | 0.93 | | 2.31 |
| Net TIER Excl Capital Credits | 1.42 | | 0.87 | | 2.25 |
| DSC | 1.45 | | 1.18 | | 1.86 |
| Rate of Return | 3.92% | | 2.92% | | 7.46% |
| Rate Base | \$ 76,279,878 | \$ (1,066,359) | \$ 75,213,519 | \$ 0 | \$ 75,213,519 |
| Principal Payments | 2,400,349 | 184,409 | 2,584,758 | | 2,584,758 |
| Percent Change | | | | | 7.16% |

Supporting Schedules:
Schedule B-1.0
Schedule C-2.0

ATTACHMENT 10

NAVOPACHE ELECTRIC COOPERATIVE, INC.

SUMMARY OF ADJUSTMENTS

1. Operating Revenues

| | |
|----------------|---------------------|
| Base Revenue | \$ (1,486,561) |
| PCA Revenue | 8,172,715 |
| PCA Over/Under | (2,365,686) |
| CTC | 1,775,645 |
| Other | (0) |
| Total | <u>\$ 6,096,113</u> |

2. Operating Expenses

| | |
|-----------------------|---------------------|
| Purchased Power | \$ 6,337,836 |
| Payroll | 306,412 |
| Benefits | 452,147 |
| Payroll Tax | 3,650 |
| Liability Insurance | 0 |
| Bad Debts | (58,320) |
| Rate Case | 50,000 |
| Memberships/Donations | 37,545 |
| Depreciation | 295,013 |
| Storm Expense | (568,112) |
| Property Tax | 34,191 |
| Franchise Tax | 0 |
| Total | <u>\$ 6,890,362</u> |

3. Interest on Long-Term Debt & Other Deductions

| | |
|----------------------------|-------------------|
| Interest on Long-Term Debt | \$ 387,371 |
| Interest - Other | |
| Total | <u>\$ 387,371</u> |

4. Non-Operating Margins

| | |
|-------------------------------|-------------|
| Interest Income | \$ |
| Gain (Loss) Equity Investment | |
| G&T Capital Credits | |
| Total | <u>\$ 0</u> |

NAVOPACHE ELECTRIC COOPERATIVE, INC.

SUMMARY OF ADJUSTMENTS

5. Operating Expenses - Detail

| | |
|--------------------------|---------------------|
| Purchased Power | \$ 6,337,836 |
| Purchased Power | |
| Transmission O&M | |
| Payroll | \$ 1,438 |
| Benefits | 2,121 |
| Payroll Tax | 14 |
| Property Tax | (59,930) |
| Memberships/Donations | (211) |
| Total | <u>\$ (56,568)</u> |
| Distribution-Operations | |
| Payroll | \$ 51,060 |
| Benefits | 75,345 |
| Payroll Tax | 949 |
| Property Tax | (520,858) |
| Total | <u>\$ (393,503)</u> |
| Distribution-Maintenance | |
| Payroll | \$ 74,490 |
| Benefits | 109,918 |
| Payroll Tax | 811 |
| Property Tax | 0 |
| Storm Expense | (568,112) |
| Memberships/Donations | (50) |
| Total | <u>\$ (382,943)</u> |
| Consumer Accounting | |
| Payroll | \$ 79,409 |
| Benefits | 117,177 |
| Payroll Tax | 841 |
| Property Tax | (22,503) |
| Bad Debts | (58,320) |
| Total | <u>\$ 116,603</u> |

NAVOPACHE ELECTRIC COOPERATIVE, INC.

SUMMARY OF ADJUSTMENTS

5. Operating Expenses - Detail (Continued)

| | |
|--------------------------|---------------------|
| Customer Service | |
| Payroll | \$ 8,419 |
| Benefits | 12,424 |
| Payroll Tax | 82 |
| Property Tax | 0 |
| Memberships/Donations | (1,378) |
| Total | <u>\$ 19,548</u> |
| Sales | |
| Payroll | \$ 7,297 |
| Benefits | 10,768 |
| Payroll Tax | 78 |
| Property Tax | 0 |
| Total | <u>\$ 18,144</u> |
| Administrative & General | |
| Payroll | \$ 84,299 |
| Benefits | 124,394 |
| Payroll Tax | 875 |
| Property Tax | (847) |
| Liability Insurance | 50,000 |
| Rate Case | 39,183 |
| Memberships/Donations | |
| Total | <u>\$ 297,904</u> |
| Depreciation | |
| Depreciation | <u>\$ 295,013</u> |
| Taxes | |
| Property Tax | \$ 638,329 |
| Total | <u>\$ 638,329</u> |
| Total Operating Expenses | <u>\$ 6,890,362</u> |

ATTACHMENT 11

NAVOPACHE ELECTRIC COOPERATIVE, INC.

RATE BASE
APRIL 30, 2010

| | Test Year 4/30/2010 (a) | Adjustments (b) | Adjusted Test Year (c) | Rate Change (d) | Adjusted Test Year w/ Rate Change (e) |
|------------------------------|-------------------------------|--------------------|------------------------------|-----------------------|--|
| Plant in Service | \$ 113,319,508 | \$ 7,000,000 | \$ 120,319,508 | \$ | \$ 120,319,508 |
| CWIP | 6,381,202 | (6,381,202) | 0 | | 0 |
| Total Utility Plant | \$ 119,700,710 | \$ 618,798 | \$ 120,319,508 | \$ 0 | \$ 120,319,508 |
| Accumulated Depreciation | (48,615,020) | 0 | (48,615,020) | | (48,615,020) |
| Net Utility Plant | \$ 71,085,690 | \$ 618,798 | \$ 71,704,488 | \$ 0 | \$ 71,704,488 |
| Materials & Supplies | \$ 3,848,652 | \$ 0 | \$ 3,848,652 | \$ 0 | \$ 3,848,652 |
| Prepayments | 392,670 | 0 | 392,670 | 0 | 392,670 |
| Cash Working Capital | 1,685,157 | (1,685,157) | 0 | 0 | 0 |
| Consumer Deposits | (732,284) | 0 | (732,284) | 0 | (732,284) |
| Consumer Advances | (7) | 0 | (7) | 0 | (7) |
| Working Capital & Deductions | \$ 5,194,188 | \$ (1,685,157) | \$ 3,509,031 | \$ 0 | \$ 3,509,031 |
| Total Rate Base | \$ 76,279,878 | \$ (1,066,359) | \$ 75,213,519 | \$ 0 | \$ 75,213,519 |
| Operating Revenues | \$ 41,565,121 | \$ 6,096,113 | \$ 47,661,234 | \$ 3,413,663 | \$ 51,074,897 |
| Operating Expenses | 38,576,235 | 6,890,363 | 45,466,598 | 0 | 45,466,598 |
| Return | \$ 2,988,886 | \$ (794,250) | \$ 2,194,636 | \$ 3,413,663 | \$ 5,608,299 |
| Rate of Return | 3.92% | | 2.92% | | 7.46% |

Supporting Schedules:

Schedule E-1.0

Schedule B-5.0

Schedule B-6.0

ATTACHMENT 12

NAVOPACHE ELECTRIC COOPERATIVE, INC.

GROWTH RATE IN NET PLANT

| | Additions | Retirements | Utility Plant | Accum. Deprec. | Net Plant | Percent Change |
|---------------------------|--------------|-------------|---------------|----------------|---------------|----------------|
| December 31, 1999 | \$ 4,962,156 | \$ 383,316 | \$ 68,991,326 | \$ 27,137,098 | \$ 41,854,228 | |
| December 31, 2000 | 4,003,995 | 964,739 | 72,030,582 | 28,686,442 | 43,344,140 | 3.56% |
| December 31, 2001 | 4,650,102 | 1,158,592 | 75,522,092 | 30,542,763 | 44,979,329 | 3.77% |
| December 31, 2002 | 3,927,235 | 791,139 | 78,658,188 | 32,400,274 | 46,257,914 | 2.84% |
| December 31, 2003 | 3,698,899 | 1,765,778 | 80,591,309 | 33,379,839 | 47,211,470 | 2.06% |
| December 31, 2004 | 9,121,127 | 2,207,617 | 87,504,819 | 36,681,874 | 50,822,945 | 7.65% |
| December 31, 2005 | 11,922,579 | 2,226,120 | 97,201,278 | 38,702,321 | 58,498,957 | 15.10% |
| December 31, 2006 | 6,671,347 | 1,654,506 | 102,218,119 | 40,684,815 | 61,533,304 | 5.19% |
| December 31, 2007 | 4,788,920 | 424,818 | 106,582,221 | 43,630,411 | 62,951,810 | 2.31% |
| December 31, 2008 | 6,618,513 | 1,133,060 | 112,067,674 | 45,999,331 | 66,068,343 | 4.95% |
| December 31, 2009 | 10,223,262 | 4,656,975 | 117,633,961 | 47,938,524 | 69,695,437 | 5.49% |
| Compound Growth 1999-2009 | | | | | | 5.23% |
| Compound Growth 2004-2009 | | | | | | 6.52% |
| Compound Growth 2006-2009 | | | | | | 4.24% |
| Projected 12/31/2010 | 10,585,500 | 1,250,000 | 126,969,461 | 50,586,486 | 76,382,975 | 9.60% |
| Projected 12/31/2011 | 17,194,000 | 1,250,000 | 142,913,461 | 53,723,929 | 89,189,532 | 16.77% |
| Projected 12/31/2012 | 11,063,000 | 1,250,000 | 152,726,461 | 57,162,631 | 95,563,830 | 7.15% |
| Projected 12/31/2013 | 13,014,000 | 1,250,000 | 164,490,461 | 60,962,488 | 103,527,973 | 8.33% |
| Projected 12/31/2014 | 14,565,000 | 1,250,000 | 177,805,461 | 65,171,116 | 112,634,345 | 8.80% |
| Total | 66,421,500 | 6,250,000 | | | | |
| Compound Growth 2009-2012 | | | | | | 11.10% |
| Compound Growth 2009-2014 | | | | | | 10.08% |

ATTACHMENT 13

NAVOPACHE ELECTRIC COOPERATIVE, INC.

CALCULATION OF ADJUSTED TEST YEAR REVENUE - ARIZONA

| | Billing Units | Proposed Rate: | | | Proposed Revenue: | | |
|-------------------------------|---------------|----------------|-------------|----------|-------------------|-------------|------------|
| | | Power Supply | Dist. Wires | Total | Power Supply | Dist. Wires | Total |
| 1. RESIDENTIAL | | | | | | | |
| Consumers (12 Month Sum) | 352,585 | 0.00 | 23.25 | 23.25 | 0 | 8,197,593 | 8,197,593 |
| First 400 kWh | 96,322,739 | 0.054000 | 0.019000 | 0.073000 | 5,201,428 | 1,830,132 | 7,031,560 |
| Over 400 kWh | 70,925,992 | 0.085000 | 0.029000 | 0.114000 | 6,028,709 | 2,056,854 | 8,085,563 |
| Subtotal | 167,248,731 | | | | 11,230,137 | 12,084,579 | 23,314,716 |
| PCA Revenue | | | | | (9,358) | 0 | (9,358) |
| Total Revenue | | | | | 11,220,779 | 12,084,579 | 23,305,358 |
| <u>Time of Use - 6 Month</u> | | | | | | | |
| Consumers (Apr-Sep) | (0) | 0.00 | 23.25 | 23.25 | 0 | (6) | (6) |
| Consumers (Oct-Mar) | 8,808 | 0.00 | 29.50 | 29.50 | 0 | 259,831 | 259,831 |
| kWh (Apr-Sep) | (755) | | | | (41) | (14) | (55) |
| First 400 kWh | 0 | 0.054000 | 0.019000 | 0.073000 | 0 | 0 | 0 |
| Over 400 kWh | 3,046,147 | 0.085000 | 0.029000 | 0.114000 | 410,621 | 63,969 | 474,590 |
| kWh On-Peak (Oct-Mar) | 9,091,845 | 0.134800 | 0.021000 | 0.155800 | 263,664 | 190,929 | 454,592 |
| kWh Off-Peak (Oct-Mar) | 12,137,237 | 0.029000 | 0.021000 | 0.050000 | 674,243 | 514,708 | 1,188,951 |
| Subtotal | | | | | (6,263) | 0 | (6,263) |
| PCA Revenue | | | | | 667,980 | 514,708 | 1,182,688 |
| Total Revenue | | | | | | | |
| <u>Time of Use - 12 Month</u> | | | | | | | |
| Consumers (12 Month Sum) | 52,083 | 0.00 | 29.50 | 29.50 | 0 | 1,536,450 | 1,536,450 |
| On-Peak kWh | 21,660,941 | 0.134800 | 0.021000 | 0.155800 | 2,919,895 | 454,880 | 3,374,775 |
| Off-Peak kWh | 40,441,611 | 0.029000 | 0.021000 | 0.050000 | 1,172,807 | 849,274 | 2,022,081 |
| Subtotal | 62,102,552 | | | | 4,092,702 | 2,840,604 | 6,933,305 |
| PCA Revenue | | | | | (19,651) | 0 | (19,651) |
| Total Revenue | | | | | 4,073,051 | 2,840,604 | 6,913,655 |
| Total Base Revenue | 241,488,520 | | | | 15,997,082 | 15,439,890 | 31,436,972 |
| Total PCA Revenue | | | | | (35,271) | 0 | (35,271) |
| Total Revenue | | | | | 15,961,811 | 15,439,890 | 31,401,701 |

NAVOPACHE ELECTRIC COOPERATIVE, INC.
CALCULATION OF ADJUSTED TEST YEAR REVENUE - ARIZONA

| | Billing Units | Proposed Rate: | | | Proposed Revenue: | | |
|---|---------------|----------------|-------------|----------|-------------------|-------------|-----------|
| | | Power Supply | Dist. Wires | Total | Power Supply | Dist. Wires | Total |
| 2. COMMERCIAL AND INDUSTRIAL ABOVE 50 KVA | | | | | | | |
| Rate 2 - Secondary | | | | | | | |
| Consumers (12 Month Sum) | 2,540 | 0.00 | 120.00 | 120.00 | 0 | 304,780 | 304,780 |
| Billing kW | 175,715 | 2.50 | 7.25 | 9.75 | 439,287 | 1,273,932 | 1,713,219 |
| First 300 kWh/kw/Mo. | 43,227,875 | 0.075000 | 0.000000 | 0.075000 | 3,242,091 | 0 | 3,242,091 |
| Over 300 kWh/kw/Mo. | 11,245,781 | 0.026000 | 0.000000 | 0.026000 | 292,390 | 0 | 292,390 |
| Subtotal | 54,473,656 | | | | 3,973,768 | 1,578,712 | 5,552,480 |
| PCA Revenue | | | | | 12,297 | 0 | 12,297 |
| Total Revenue | | | | | 3,986,065 | 1,578,712 | 5,564,777 |
| Rate 29 - Primary | | | | | | | |
| Consumers (12 Month Sum) | 20 | 0.00 | 244.00 | 244.00 | 0 | 4,791 | 4,791 |
| Billing kW | 3,506.85 | 2.43 | 7.03 | 9.46 | 8,522 | 24,653 | 33,175 |
| First 300 kWh/kw/Mo. | 382,434 | 0.072800 | 0.000000 | 0.072800 | 27,841 | 0 | 27,841 |
| Over 300 kWh/kw/Mo. | 59,766 | 0.025200 | 0.000000 | 0.025200 | 1,506 | 0 | 1,506 |
| Subtotal | 442,200 | | | | 37,869 | 29,444 | 67,313 |
| PCA Revenue | | | | | 857 | 0 | 857 |
| Total Revenue | | | | | 38,726 | 29,444 | 68,169 |
| Time of Use - Secondary | | | | | | | |
| Consumers (12 Month Sum) | 628 | 0.00 | 155.00 | 155.00 | 0 | 97,283 | 97,283 |
| Billing kW | 84,822.62 | 2.35 | 6.65 | 9.00 | 199,333 | 564,070 | 763,404 |
| On-Peak Billing kW | 84,822.62 | 14.00 | 0.00 | 14.00 | 1,187,517 | 0 | 1,187,517 |
| kWh | 33,653,055 | 0.023500 | 0.000000 | 0.023500 | 790,847 | 0 | 790,847 |
| Subtotal | | | | | 2,177,697 | 661,354 | 2,839,050 |
| PCA Revenue | | | | | 4,467 | 0 | 4,467 |
| Total Revenue | | | | | 2,182,164 | 661,354 | 2,843,517 |
| Time of Use - Primary | | | | | | | |
| Consumers (12 Month Sum) | 60 | 0.00 | 244.00 | 244.00 | 0 | 14,640 | 14,640 |
| Billing kW | 30,394.15 | 2.28 | 6.45 | 8.73 | 69,299 | 196,042 | 265,341 |
| On-Peak Billing kW | 30,394.15 | 13.58 | 0.00 | 13.58 | 412,753 | 0 | 412,753 |
| kWh | 11,197,800 | 0.022795 | 0.000000 | 0.022795 | 255,254 | 0 | 255,254 |
| Subtotal | | | | | 737,305 | 210,682 | 947,987 |
| PCA Revenue | | | | | 7,122 | 0 | 7,122 |
| Total Revenue | | | | | 744,427 | 210,682 | 955,109 |

NAVOPACHE ELECTRIC COOPERATIVE, INC.

CALCULATION OF ADJUSTED TEST YEAR REVENUE - ARIZONA

| | | Proposed Rate: | | | Proposed Revenue: | | |
|--|-------------|----------------|----------|----------|-------------------|-----------|-----------|
| Billing Units | | Power | Dist. | Total | Power | Dist. | Total |
| | | Supply | Wires | | Supply | Wires | |
| 2. COMMERCIAL AND INDUSTRIAL ABOVE 50 KVA (Continued) | | | | | | | |
| Interruptible | | | | | | | |
| Consumers (12 Month Sum) | 24 | 0.00 | 488.00 | 488.00 | 0 | 11,712 | 11,712 |
| Billing kW | 25,186.72 | 2.35 | 6.65 | 9.00 | 59,189 | 167,492 | 226,680 |
| On-Peak Billing kW | 0.00 | 22.50 | 0.00 | 22.50 | 0 | 0 | 0 |
| kWh | 4,694,400 | 0.022000 | 0.010000 | 0.032000 | 103,277 | 46,944 | 150,221 |
| Primary Service Discount | | -3.00% | -3.00% | -3.00% | (4,874) | (6,784) | (11,658) |
| Subtotal | | | | | 157,592 | 219,363 | 376,955 |
| PCA Revenue | | | | | 3,539 | 0 | 3,539 |
| Total Revenue | | | | | 161,130 | 219,363 | 380,494 |
| Total Base Revenue | 104,461,111 | | | | 7,084,230 | 2,699,555 | 9,783,785 |
| Total PCA Revenue | | | | | 28,281 | 0 | 28,281 |
| Total Revenue | | | | | 7,112,511 | 2,699,555 | 9,812,066 |
| 3. SMALL COMMERCIAL | | | | | | | |
| Consumers (12 Month Sum) | 35,289 | 0.00 | 32.75 | 32.75 | 0 | 1,155,716 | 1,155,716 |
| kWh | 51,326,854 | 0.063800 | 0.026200 | 0.090000 | 3,274,653 | 1,344,764 | 4,619,417 |
| Subtotal | | | | | 3,274,653 | 2,500,480 | 5,775,133 |
| PCA Revenue | | | | | 5,480 | 0 | 5,480 |
| Total Revenue | | | | | 3,280,133 | 2,500,480 | 5,780,613 |
| Time of Use - 6 Month | | | | | | | |
| Consumers (Apr-Sep) | 744 | 0.00 | 32.75 | 32.75 | 0 | 24,381 | 24,381 |
| Consumers (Oct-Mar) | 721 | 0.00 | 42.50 | 42.50 | 0 | 30,630 | 30,630 |
| kWh (Apr-Sep) | 2,121,844 | 0.063800 | 0.026200 | 0.090000 | 135,374 | 55,592 | 190,966 |
| kWh On-Peak (Oct-Mar) | 855,936 | 0.123800 | 0.026200 | 0.150000 | 105,965 | 22,426 | 128,390 |
| kWh Off-Peak (Oct-Mar) | 1,506,655 | 0.028800 | 0.026200 | 0.055000 | 43,392 | 39,474 | 82,866 |
| Subtotal | 4,484,435 | | | | 284,730 | 172,503 | 457,233 |
| PCA Revenue | | | | | (784) | 0 | (784) |
| Total Revenue | | | | | 283,946 | 172,503 | 456,449 |
| Time of Use - 12 Month | | | | | | | |
| Consumers (12 Month Sum) | 962 | 0.00 | 42.50 | 42.50 | 0 | 40,893 | 40,893 |
| kWh On-Peak | 766,132 | 0.123800 | 0.026200 | 0.150000 | 94,847 | 20,073 | 114,920 |
| kWh Off-Peak | 1,360,216 | 0.028800 | 0.026200 | 0.055000 | 39,174 | 35,638 | 74,812 |
| Subtotal | 2,126,348 | | | | 134,021 | 96,604 | 230,625 |
| PCA Revenue | | | | | (425) | 0 | (425) |
| Total Revenue | | | | | 133,597 | 96,604 | 230,200 |
| Total Base Revenue | 57,937,637 | | | | 3,693,405 | 2,769,587 | 6,462,992 |
| Total PCA Revenue | | | | | 4,271 | 0 | 4,271 |
| Total Revenue | | | | | 3,697,675 | 2,769,587 | 6,467,262 |

NAVOPACHE ELECTRIC COOPERATIVE, INC.

CALCULATION OF ADJUSTED TEST YEAR REVENUE - ARIZONA

| | Billing Units | Proposed Rate: | | Proposed Revenue: | | |
|-----------------------------------|---------------|----------------|-------------|-------------------|-------------|---------|
| | | Power Supply | Dist. Wires | Power Supply | Dist. Wires | Total |
| 4. IRRIGATION & WATER PUMPING | | | | | | |
| Consumers (12 Month Sum) | 629 | | | | | |
| Installed HP | 45,972 | 0.00 | 42.00 | 0 | 26,408 | 26,408 |
| Billing kW | 20,771 | 5.00 | 0.00 | 0 | 0 | 0 |
| kWh | 5,076,453 | 0.049800 | 0.035200 | 103,855 | 178,691 | 103,855 |
| Subtotal | | | | 252,807 | 205,099 | 431,499 |
| PCA Revenue | | | | 356,663 | 0 | 561,762 |
| Total Revenue | | | | 712 | 205,099 | 712 |
| | | | | 357,374 | | 562,474 |
| Time of Use | | | | | | |
| Consumers | 157 | 0.00 | 47.00 | 0 | 7,379 | 7,379 |
| Installed HP | 12,086 | 0.00 | 0.00 | 0 | 0 | 0 |
| Billing kW - On Peak | 5,696 | 8.80 | 0.00 | 50,126 | 0 | 50,126 |
| NCP Billing kW | 7,387 | 2.40 | 2.60 | 17,729 | 19,207 | 36,936 |
| kWh On-Peak | 375,507 | 0.022300 | 0.016600 | 8,374 | 6,233 | 14,607 |
| kWh Off-Peak | 1,130,745 | 0.022300 | 0.016600 | 25,216 | 18,770 | 43,986 |
| Subtotal | 1,506,252 | | | 101,445 | 51,590 | 153,034 |
| PCA Revenue | | | | 569 | 0 | 569 |
| Total Revenue | | | | 102,013 | 51,590 | 153,603 |
| Total Base Revenue | 6,582,705 | | | 458,107 | 256,689 | 714,796 |
| Total PCA Revenue | | | | 1,280 | 0 | 1,280 |
| Total Revenue | | | | 459,388 | 256,689 | 716,077 |
| 5. SECURITY LIGHTING | | | | | | |
| Customer Owned Security Lights | | | | | | |
| 175 Watt MVL | 551 | 4.35 | 4.22 | 2,397 | 2,325 | 4,722 |
| 250 Watt MVL | 34 | 6.38 | 4.72 | 217 | 160 | 377 |
| 400 Watt MVL | 36 | 10.15 | 8.03 | 365 | 289 | 654 |
| 100 Watt HPS | 2,977 | 1.97 | 3.58 | 5,865 | 10,658 | 16,522 |
| 150 Watt HPS | 595 | 4.93 | 4.95 | 1,726 | 2,945 | 4,671 |
| 250 Watt HPS | 731 | 4.93 | 5.40 | 3,604 | 3,947 | 7,551 |
| Subtotal | | | | 14,173 | 20,325 | 34,498 |
| Cooperative Owned Security Lights | | | | | | |
| 175 Watt MVL | 3,252 | 4.35 | 6.00 | 14,146 | 19,512 | 33,658 |
| 250 Watt MVL | 1,465 | 6.38 | 7.13 | 9,347 | 10,445 | 19,792 |
| 400 Watt MVL | 95 | 10.15 | 11.70 | 964 | 1,112 | 2,076 |
| 100 Watt HPS | 26,161 | 1.97 | 6.63 | 51,537 | 173,447 | 224,985 |
| 150 Watt HPS | 0 | 2.90 | 8.00 | 0 | 0 | 0 |
| 250 Watt HPS | 4,625 | 4.93 | 8.45 | 22,801 | 39,081 | 61,883 |
| Subtotal | | | | 98,796 | 243,598 | 342,393 |

NAVOPACHE ELECTRIC COOPERATIVE, INC.
CALCULATION OF ADJUSTED TEST YEAR REVENUE - ARIZONA

| | Billing Units | Proposed Rate: | | | Proposed Revenue: | | |
|-------------------------|---------------|-----------------|----------------|-------|-------------------|----------------|------------|
| | | Power Supply | Dist. Wires | Total | Power Supply | Dist. Wires | Total |
| <u>Street Lighting</u> | | | | | | | |
| 175 Watt MVL | 75 kWh | 4.35 | 6.00 | 10.35 | 0 | 0 | 0 |
| 250 Watt MVL | 110 kWh | 6.38 | 6.14 | 12.52 | 77 | 74 | 150 |
| 400 Watt MVL | 175 kWh | 10.15 | 11.70 | 21.85 | 0 | 0 | 0 |
| 1,000 Watt HPS | 435 kWh | 25.23 | 14.27 | 39.50 | 0 | 0 | 0 |
| 100 Sodium | 34 kWh | 1.97 | 3.58 | 5.55 | 1,172 | 2,130 | 3,302 |
| 150 Sodium | 50 kWh | 2.90 | 4.95 | 7.85 | 6,705 | 11,444 | 18,149 |
| 250 Sodium | 85 kWh | 4.93 | 5.40 | 10.33 | 409 | 448 | 857 |
| Subtotal | | | | | 8,363 | 14,096 | 22,459 |
| Additional Pole Charges | 9,752 | 0.00 | 4.00 | 4.00 | 0 | 39,008 | 39,008 |
| Base Revenue | 1,952,354 | | | | 121,331 | 317,027 | 438,359 |
| PCA Revenue | | | | | 605 | 0 | 605 |
| Total Revenue | | | | | 121,936 | 317,027 | 438,964 |
| 6. TOTAL | | | | | | | |
| Base Revenue | 412,422,327 | | | | 27,354,156 | 21,482,748 | 48,836,904 |
| PCA Revenue | | | | | (834) | 0 | (834) |
| Total Revenue | | | | | 27,353,322 | 21,482,748 | 48,836,070 |

NAVOPACHE ELECTRIC COOPERATIVE, INC.
CALCULATION OF ADJUSTED TEST YEAR REVENUE - NEW MEXICO

| | Billing Units | Proposed Rate: | | | Proposed Revenue: | | |
|-------------------------------|---------------|-----------------|----------------|----------|-------------------|----------------|-----------|
| | | Power Supply | Dist. Wires | Total | Power Supply | Dist. Wires | Total |
| 1. RESIDENTIAL | | | | | | | |
| Consumers (12 Month Sum) | 14,918 | 0.00 | 23.25 | 23.25 | 0 | 346,837 | 346,837 |
| First 400 kWh | 3,537,259 | 0.054000 | 0.019000 | 0.073000 | 191,012 | 67,208 | 258,220 |
| Over 400 kWh | 2,214,634 | 0.085000 | 0.029000 | 0.114000 | 188,244 | 84,224 | 252,468 |
| Subtotal | 5,751,893 | | | | 379,256 | 478,269 | 857,525 |
| PCA Revenue | | | | | 82 | 0 | 82 |
| Total Revenue | | | | | 379,338 | 478,269 | 857,607 |
| Time of Use - 6 Month | | | | | | | |
| Consumers (Apr-Sep) | 100 | 0.00 | 23.25 | 23.25 | 0 | 2,330 | 2,330 |
| Consumers (Oct-Mar) | 0 | 0.00 | 29.50 | 29.50 | 0 | 0 | 0 |
| kWh (Apr-Sep) | | | | | | | |
| First 400 kWh | 0 | 0.054000 | 0.019000 | 0.073000 | 0 | 0 | 0 |
| Over 400 kWh | 0 | 0.085000 | 0.029000 | 0.114000 | 0 | 0 | 0 |
| kWh On-Peak (Oct-Mar) | 30,656 | 0.134800 | 0.021000 | 0.155800 | 4,132 | 644 | 4,776 |
| kWh Off-Peak (Oct-Mar) | 87,997 | 0.029000 | 0.021000 | 0.050000 | 2,552 | 1,848 | 4,400 |
| Subtotal | 118,653 | | | | 6,684 | 4,822 | 11,506 |
| PCA Revenue | | | | | (16) | 0 | (16) |
| Total Revenue | | | | | 6,668 | 4,822 | 11,490 |
| Time of Use - 12 Month | | | | | | | |
| Consumers (12 Month Sum) | 1,226 | 0.00 | 29.50 | 29.50 | 0 | 36,161 | 36,161 |
| On-Peak kWh | 474,495 | 0.134800 | 0.021000 | 0.155800 | 63,962 | 9,964 | 73,926 |
| Off-Peak kWh | 807,951 | 0.029000 | 0.021000 | 0.050000 | 23,431 | 16,967 | 40,398 |
| Subtotal | 1,282,446 | | | | 87,393 | 63,092 | 150,485 |
| PCA Revenue | | | | | (417) | 0 | (417) |
| Total Revenue | | | | | 86,976 | 63,092 | 150,068 |
| Total Base Revenue | 7,152,992 | | | | 473,333 | 546,183 | 1,019,516 |
| Total PCA Revenue | | | | | (351) | 0 | (351) |
| Total Revenue | | | | | 472,982 | 546,183 | 1,019,165 |

NAVOPACHE ELECTRIC COOPERATIVE, INC.

CALCULATION OF ADJUSTED TEST YEAR REVENUE - NEW MEXICO

| | Billing Units | Proposed Rate: | | | Proposed Revenue: | | |
|---|---------------|----------------|-------------|----------|-------------------|-------------|---------|
| | | Power Supply | Dist. Wires | Total | Power Supply | Dist. Wires | Total |
| 2. COMMERCIAL AND INDUSTRIAL ABOVE 50 KVA | | | | | | | |
| Consumers (12 Month Sum) | 48 | 0.00 | 120.00 | 120.00 | 0 | 5,760 | 5,760 |
| Billing kW | 1,608 | 2.50 | 7.25 | 9.75 | 4,021 | 11,661 | 15,682 |
| First 300 kWh/kw/Mo. | 337,878 | 0.075000 | 0.000000 | 0.075000 | 25,341 | 0 | 25,341 |
| Over 300 kWh/kw/Mo. | 198,582 | 0.026000 | 0.000000 | 0.026000 | 5,163 | 0 | 5,163 |
| Subtotal | 536,460 | | | | 34,525 | 17,421 | 51,946 |
| PCA Revenue | | | | | 642 | 0 | 642 |
| Total Revenue | | | | | 35,167 | 17,421 | 52,588 |
| Time of Use | | | | | | | |
| Consumers (12 Month Sum) | 12 | 0.00 | 155.00 | 155.00 | 0 | 1,860 | 1,860 |
| Billing kW | 811.92 | 2.35 | 6.65 | 9.00 | 1,908 | 5,399 | 7,307 |
| On-Peak Billing kW | 811.92 | 14.00 | 0.00 | 14.00 | 11,367 | 0 | 11,367 |
| kWh | 194,880 | 0.023500 | 0.000000 | 0.023500 | 4,580 | 0 | 4,580 |
| Subtotal | | | | | 17,855 | 7,259 | 25,114 |
| PCA Revenue | | | | | 75 | 0 | 75 |
| Total Revenue | | | | | 17,930 | 7,259 | 25,189 |
| Total Base Revenue | 731,340 | | | | 52,380 | 24,680 | 77,060 |
| Total PCA Revenue | | | | | 717 | 0 | 717 |
| Total Revenue | | | | | 53,097 | 24,680 | 77,777 |
| 3. SMALL COMMERCIAL | | | | | | | |
| Consumers (12 Month Sum) | 2,320 | 0.00 | 32.75 | 32.75 | 0 | 75,994 | 75,994 |
| kWh | 2,359,248 | 0.063800 | 0.026200 | 0.090000 | 150,520 | 61,812 | 212,332 |
| Subtotal | | | | | 150,520 | 137,806 | 288,326 |
| PCA Revenue | | | | | 394 | 0 | 394 |
| Total Revenue | | | | | 150,914 | 137,806 | 288,720 |
| Time of Use - 6 Month | | | | | | | |
| Consumers (Apr-Sep) | 60 | 0.00 | 32.75 | 32.75 | 0 | 1,970 | 1,970 |
| Consumers (Oct-Mar) | 60 | 0.00 | 42.50 | 42.50 | 0 | 2,550 | 2,550 |
| kWh (Apr-Sep) | 121,479 | 0.063800 | 0.026200 | 0.090000 | 7,750 | 3,183 | 10,933 |
| kWh On-Peak (Oct-Mar) | 40,070 | 0.123800 | 0.026200 | 0.150000 | 4,961 | 1,050 | 6,011 |
| kWh Off-Peak (Oct-Mar) | 70,628 | 0.028800 | 0.026200 | 0.055000 | 2,034 | 1,850 | 3,885 |
| Subtotal | 232,177 | | | | 14,745 | 10,603 | 25,349 |
| PCA Revenue | | | | | 52 | 0 | 52 |
| Total Revenue | | | | | 14,797 | 10,603 | 25,401 |
| Total Base Revenue | 2,591,425 | | | | 165,265 | 148,409 | 313,675 |
| Total PCA Revenue | | | | | 446 | 0 | 446 |
| Total Revenue | | | | | 165,711 | 148,409 | 314,121 |

NAVAPACHE ELECTRIC COOPERATIVE, INC.
CALCULATION OF ADJUSTED TEST YEAR REVENUE - NEW MEXICO

| | | Proposed Rate: | | | Proposed Revenue: | | |
|--|---------|----------------|--------------|-------------|-------------------|--------------|-------------|
| | | Billing Units | Power Supply | Dist. Wires | Total | Power Supply | Dist. Wires |
| | | | | | | | Total |
| 4. IRRIGATION & WATER PUMPING | | | | | | | |
| Consumers (12 Month Sum) | | 12 | 0.00 | 42.00 | 42.00 | 0 | 504 |
| Installed HP | | 591.20 | 0.00 | 0.00 | 0.00 | 0 | 0 |
| Billing kW | | 586.31 | 5.00 | 0.00 | 5.00 | 2,932 | 0 |
| kWh | | 66,248 | 0.049800 | 0.035200 | 0.085000 | 3,299 | 2,332 |
| Subtotal | | | | | | 6,231 | 2,836 |
| PCA Revenue | | | | | | (12) | 0 |
| Total Revenue | | | | | | 6,219 | 2,836 |
| 5. LIGHTING | | | | | | | |
| <u>Customer Owned Security Lights</u> | | | | | | | |
| 175 Watt MVL | 75 kWh | 4 | 4.35 | 4.22 | 8.57 | 17 | 17 |
| 250 Watt MVL | 110 kWh | 0 | 6.38 | 4.72 | 11.10 | 0 | 0 |
| 400 Watt MVL | 175 kWh | 0 | 10.15 | 8.03 | 18.18 | 0 | 0 |
| 100 Watt HPS | 34 kWh | 23 | 1.97 | 3.58 | 5.55 | 45 | 82 |
| 150 Watt HPS | 50 kWh | 5 | 2.90 | 4.95 | 7.85 | 15 | 25 |
| 250 Watt HPS | 85 kWh | 6 | 4.93 | 5.40 | 10.33 | 30 | 32 |
| Subtotal | | | | | | 107 | 156 |
| <u>Cooperative Owned Security Lights</u> | | | | | | | |
| 175 Watt MVL | 75 kWh | 25 | 4.35 | 6.00 | 10.35 | 109 | 150 |
| 250 Watt MVL | 110 kWh | 11 | 6.38 | 7.13 | 13.51 | 70 | 78 |
| 400 Watt MVL | 175 kWh | 1 | 10.15 | 11.70 | 21.85 | 10 | 12 |
| 100 Watt HPS | 34 kWh | 204 | 1.97 | 6.63 | 8.60 | 402 | 1,353 |
| 150 Watt HPS | 50 kWh | 0 | 2.90 | 8.00 | 10.90 | 0 | 0 |
| 250 Watt HPS | 85 kWh | 36 | 4.93 | 8.45 | 13.38 | 177 | 304 |
| Subtotal | | | | | | 768 | 1,897 |
| <u>Street Lighting</u> | | | | | | | |
| 175 Watt MVL | 75 kWh | 0 | 4.35 | 6.00 | 10.35 | 0 | 0 |
| 250 Watt MVL | 110 kWh | 0 | 6.38 | 6.14 | 12.52 | 0 | 0 |
| 400 Watt MVL | 175 kWh | 0 | 10.15 | 11.70 | 21.85 | 0 | 0 |
| 1,000 Watt HPS | 435 kWh | 0 | 25.23 | 14.27 | 39.50 | 0 | 0 |
| 100 Sodium | 34 kWh | 5 | 1.97 | 3.58 | 5.55 | 10 | 18 |
| 150 Sodium | 50 kWh | 18 | 2.90 | 4.95 | 7.85 | 52 | 89 |
| 250 Sodium | 85 kWh | 1 | 4.93 | 5.40 | 10.33 | 5 | 5 |
| Subtotal | | | | | | 67 | 112 |
| <u>Additional Pole Charges</u> | | | | | | | |
| Base Revenue | | 15,363 | | | | 0 | 0 |
| PCA Revenue | | | | | | 942 | 2,166 |
| Total Revenue | | | | | | 5 | 0 |
| 7. TOTAL | | | | | | 947 | 2,166 |
| Base Revenue | | 10,557,368 | | | | 698,151 | 724,274 |
| PCA Revenue | | | | | | 806 | 0 |
| Total Revenue | | | | | | 698,958 | 724,274 |

ATTACHMENT 14

NAVOPACHE ELECTRIC COOPERATIVE, INC.

CALCULATION OF BASE POWER COST

| | <u>Adjusted</u> | <u>Proposed</u> | <u>Change</u> |
|------------------------|-----------------|-----------------|---------------|
| Purchased Power | 27,984,346 | 27,984,346 | 0 |
| kWh Sold | 422,979,695 | 422,979,695 | 0 |
| Cost of Power/kWh Sold | 0.066160 | 0.066160 | 0.000000 |
| Base PCA | 0.042600 | 0.066160 | 0.023560 |
| PCA Factor | 0.023560 | 0.000000 | (0.023560) |

NAVAPACHE ELECTRIC COOPERATIVE, INC.

PROPOSED PCA REVENUE
FOR THE TWELVE MONTHS ENDING APRIL 30, 2010

| | May | June | July | August | September | October | November | December | January | February | March | April | Total |
|-----------------------------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|-------------|
| Adjusted kWh Sold | | | | | | | | | | | | | |
| Arizona | | | | | | | | | | | | | |
| Residential | 12,182,962 | 12,415,606 | 13,453,034 | 13,770,579 | 13,160,114 | 12,200,636 | 12,083,874 | 15,286,596 | 18,984,365 | 15,706,429 | 15,254,967 | 12,769,569 | 167,248,731 |
| Residential - TOU 6 Month | (1,695) | 940 | 0 | 0 | 0 | 0 | 1,209,767 | 1,955,567 | 2,697,107 | 2,304,145 | 2,214,172 | 1,757,237 | 12,137,237 |
| Residential - TOU 12 Month | 4,448,247 | 3,702,111 | 3,641,783 | 3,693,733 | 3,636,312 | 3,692,271 | 4,579,143 | 6,419,698 | 8,387,164 | 7,144,263 | 6,941,589 | 5,816,238 | 62,102,552 |
| Commercial & Industrial | 4,261,928 | 4,446,584 | 4,809,136 | 4,809,136 | 5,140,645 | 4,340,389 | 4,206,904 | 4,686,766 | 4,974,424 | 4,175,444 | 4,461,463 | 4,180,837 | 54,473,656 |
| Commercial & Industrial - Pri | 4,200 | 32,160 | 81,720 | 63,480 | 57,000 | 60,120 | 41,880 | 26,640 | 18,000 | 16,200 | 21,600 | 19,200 | 442,200 |
| Commercial & Industrial TOU | 2,707,493 | 2,910,710 | 2,984,816 | 2,928,661 | 3,172,111 | 2,614,046 | 2,554,645 | 2,762,294 | 2,964,145 | 2,668,091 | 2,746,200 | 2,639,843 | 33,653,055 |
| Comm & Ind TOU - Primary | 813,000 | 746,400 | 918,000 | 1,072,200 | 1,069,800 | 940,200 | 1,023,000 | 948,000 | 915,600 | 913,200 | 972,000 | 866,400 | 11,197,800 |
| Large Commercial - Interruptible | 296,400 | 374,400 | 405,600 | 174,000 | 174,000 | 409,200 | 507,600 | 574,800 | 435,600 | 512,400 | 536,400 | 291,600 | 4,694,400 |
| Small Commercial | 3,985,499 | 4,286,988 | 4,587,383 | 4,728,511 | 4,659,222 | 3,952,661 | 3,842,643 | 4,218,226 | 4,733,581 | 4,235,641 | 4,308,090 | 3,788,409 | 51,326,854 |
| Sm Comm - TOU 6 Month | 356,204 | 370,753 | 353,107 | 364,955 | 348,954 | 327,871 | 333,412 | 360,073 | 466,115 | 416,401 | 423,066 | 363,524 | 4,484,435 |
| Sm Comm - TOU 12 Month | 158,197 | 140,781 | 143,542 | 151,144 | 144,280 | 149,375 | 156,355 | 194,233 | 262,949 | 200,898 | 220,136 | 204,458 | 2,126,348 |
| Irrigation & Water Pumping | 553,986 | 640,322 | 674,722 | 614,886 | 550,325 | 523,319 | 362,629 | 220,829 | 228,521 | 202,195 | 220,342 | 284,377 | 5,076,453 |
| Irrigation & Water Pumping TOU | 176,998 | 193,057 | 198,016 | 178,442 | 164,801 | 134,079 | 115,123 | 102,513 | 54,730 | 53,750 | 65,288 | 69,455 | 1,506,252 |
| Security Lights | 105,133 | 105,184 | 105,482 | 105,050 | 105,816 | 105,504 | 105,439 | 107,148 | 106,402 | 106,631 | 106,713 | 105,383 | 1,269,885 |
| Street Lighting | 56,905 | 56,905 | 56,905 | 56,905 | 56,905 | 56,905 | 56,905 | 56,859 | 56,847 | 56,816 | 56,806 | 56,806 | 682,469 |
| Total | 30,105,457 | 30,422,901 | 32,413,246 | 32,714,082 | 32,440,285 | 29,506,576 | 31,179,319 | 37,900,242 | 45,265,550 | 38,712,504 | 38,548,832 | 33,213,333 | 412,422,327 |
| New Mexico | | | | | | | | | | | | | |
| Residential | 433,886 | 446,887 | 416,832 | 447,755 | 487,560 | 375,506 | 427,992 | 579,866 | 621,607 | 496,959 | 561,562 | 455,481 | 5,751,893 |
| Residential - TOU 6 Month | 0 | 0 | 0 | 0 | 0 | 0 | 13,951 | 18,250 | 23,185 | 23,961 | 21,084 | 18,222 | 119,653 |
| Residential - TOU 12 Month | 98,343 | 87,648 | 79,509 | 84,006 | 89,679 | 74,126 | 95,520 | 127,704 | 163,327 | 130,535 | 138,544 | 113,505 | 1,282,446 |
| Commercial & Industrial | 13,000 | 28,900 | 35,400 | 56,960 | 68,120 | 45,500 | 47,620 | 73,540 | 74,780 | 51,620 | 25,260 | 15,760 | 536,460 |
| Commercial & Industrial - Pri | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Commercial & Industrial TOU | 15,480 | 12,120 | 8,760 | 10,560 | 20,280 | 15,960 | 16,080 | 19,920 | 18,360 | 18,840 | 21,720 | 16,800 | 194,880 |
| Comm & Ind TOU - Primary | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Large Commercial - Interruptible | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Small Commercial | 185,640 | 208,596 | 200,416 | 211,030 | 229,540 | 163,111 | 178,400 | 213,397 | 206,816 | 176,373 | 200,000 | 185,929 | 2,359,248 |
| Sm Comm - TOU 6 Month | 18,396 | 21,420 | 20,121 | 20,242 | 24,143 | 17,157 | 17,645 | 21,890 | 20,584 | 16,229 | 18,971 | 15,379 | 232,177 |
| Sm Comm - TOU 12 Month | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Irrigation & Water Pumping | 5,281 | 8,755 | 11,922 | 4,121 | 7,375 | 4,792 | 5,133 | 4,311 | 4,049 | 3,458 | 3,607 | 3,444 | 66,248 |
| Irrigation & Water Pumping TOU | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Security Lights | 1,095 | 1,151 | 1,197 | 1,197 | 1,220 | 1,215 | 1,283 | 1,359 | 1,367 | 1,432 | 1,446 | 1,401 | 15,363 |
| Street Lighting | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Total | 771,121 | 815,477 | 774,157 | 835,871 | 927,917 | 697,367 | 803,624 | 1,060,237 | 1,134,075 | 919,407 | 992,194 | 825,921 | 10,557,368 |
| Total System | 30,876,578 | 31,238,378 | 33,187,403 | 33,549,953 | 33,368,202 | 30,203,943 | 31,982,943 | 38,960,479 | 46,399,625 | 39,631,911 | 39,541,026 | 34,039,254 | 422,979,695 |
| Total Adjusted Purchased Power | 1,830,722 | 1,861,165 | 2,150,477 | 2,334,083 | 2,214,781 | 2,279,594 | 2,415,744 | 3,058,919 | 2,549,990 | 2,553,006 | 2,453,716 | 2,282,150 | 27,984,346 |
| Base Power Cost per kWh Sold | 0.06616 | 0.06616 | 0.06616 | 0.06616 | 0.06616 | 0.06616 | 0.06616 | 0.06616 | 0.06616 | 0.06616 | 0.06616 | 0.06616 | 0.06616 |
| Power Cost Embedded in Base Rates | 2,042,794 | 2,066,731 | 2,195,679 | 2,219,665 | 2,207,640 | 1,998,293 | 2,115,992 | 2,577,625 | 3,069,799 | 2,622,047 | 2,616,034 | 2,252,037 | 27,984,337 |
| Recoverable Power Cost | (212,073) | (205,566) | (45,202) | 114,418 | 7,141 | 281,301 | 299,753 | 481,294 | (519,809) | (69,041) | (162,318) | 30,113 | 10 |
| Adjusted PCA Factor | (0.00687) | (0.00658) | (0.00136) | 0.00341 | 0.00021 | 0.00931 | 0.00937 | 0.01235 | (0.01120) | (0.00174) | (0.00411) | 0.00089 | 0.00000 |

NAVOPACHE ELECTRIC COOPERATIVE, INC.

**PROPOSED PCA REVENUE
FOR THE TWELVE MONTHS ENDING APRIL 30, 2010**

Power Cost Adjustment Revenue

| | May | June | July | August | September | October | November | December | January | February | March | April | Total |
|----------------------------------|------------------|------------------|-----------------|----------------|--------------|----------------|----------------|----------------|------------------|-----------------|------------------|---------------|--------------|
| Arizona | | | | | | | | | | | | | |
| Residential | (83,673) | (81,707) | (18,323) | 48,958 | 2,816 | 113,625 | 113,250 | 188,835 | (212,458) | (27,361) | (62,622) | 11,301 | (9,358) |
| Residential - TOU 6 Month | 12 | (6) | 0 | 0 | 0 | 0 | 11,338 | 24,157 | (30,216) | (4,014) | (9,089) | 1,555 | (6,263) |
| Residential - TOU 12 Month | (30,551) | (24,364) | (4,960) | 12,596 | 778 | 34,386 | 42,916 | 79,303 | (93,961) | (12,445) | (28,495) | 5,147 | (19,651) |
| Commercial & Industrial | (29,271) | (29,263) | (6,550) | 16,399 | 1,100 | 40,422 | 39,427 | 57,649 | (55,728) | (7,274) | (18,314) | 3,700 | 12,297 |
| Commercial & Industrial - Pri | (29) | (212) | (111) | 216 | 12 | 560 | 393 | 329 | (202) | (28) | (89) | 17 | 857 |
| Commercial & Industrial TOU | (18,595) | (19,155) | (4,065) | 9,987 | 679 | 24,345 | 23,942 | 34,123 | (33,207) | (4,648) | (11,273) | 2,336 | 4,467 |
| Comm & Ind TOU - Primary | (5,584) | (4,912) | (1,250) | 3,656 | 229 | 8,756 | 9,588 | 11,711 | (10,257) | (1,591) | (3,990) | 767 | 7,122 |
| Large Commercial - Interruptible | (2,036) | (2,464) | (552) | 602 | 37 | 3,811 | 4,757 | 7,101 | (4,880) | (893) | (2,202) | 258 | 3,539 |
| Small Commercial | (27,372) | (28,213) | (6,248) | 16,124 | 997 | 36,811 | 36,013 | 52,108 | (53,030) | (7,378) | (17,685) | 3,353 | 5,480 |
| Sm Comm - TOU 6 Month | (2,446) | (2,440) | (481) | 1,245 | 75 | 3,053 | 3,125 | 4,448 | (5,222) | (725) | (1,737) | 322 | (784) |
| Sm Comm - TOU 12 Month | (1,087) | (926) | (196) | 515 | 31 | 1,391 | 1,465 | 2,399 | (2,946) | (350) | (904) | 181 | (425) |
| Irrigation & Water Pumping | (3,805) | (4,214) | (919) | 2,097 | 118 | 4,874 | 3,399 | 2,728 | (2,560) | (352) | (905) | 252 | 712 |
| Irrigation & Water Pumping TOU | (1,216) | (1,271) | (270) | 608 | 35 | 1,249 | 1,079 | 1,266 | (613) | (94) | (268) | 61 | 569 |
| Security Lights | (722) | (692) | (144) | 358 | 23 | 983 | 988 | 1,324 | (1,192) | (186) | (438) | 93 | 395 |
| Street Lighting | (391) | (374) | (78) | 194 | 12 | 530 | 702 | 702 | (637) | (99) | (233) | 50 | 210 |
| Total | (206,764) | (200,213) | (44,147) | 111,555 | 6,942 | 274,795 | 292,213 | 488,182 | (507,110) | (67,437) | (158,243) | 29,394 | (834) |

New Mexico

| | | | | | | | | | | | | | |
|----------------------------------|------------------|------------------|-----------------|----------------|--------------|----------------|----------------|----------------|------------------|-----------------|------------------|---------------|-------------|
| Residential | (2,980) | (2,941) | (568) | 1,527 | 104 | 3,497 | 4,011 | 7,163 | (6,964) | (866) | (2,305) | 403 | 82 |
| Residential - TOU 6 Month | 0 | 0 | 0 | 0 | 0 | 0 | 131 | 225 | (260) | (42) | (87) | 16 | (16) |
| Residential - TOU 12 Month | (675) | (577) | (108) | 286 | 19 | 690 | 895 | 1,578 | (1,830) | (227) | (569) | 100 | (417) |
| Commercial & Industrial | (89) | (190) | (48) | 194 | 15 | 424 | 446 | 908 | (838) | (90) | (104) | 14 | 642 |
| Commercial & Industrial - Pri | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Commercial & Industrial TOU | (106) | (80) | (12) | 36 | 4 | 149 | 151 | 246 | (206) | (33) | (89) | 15 | 75 |
| Comm & Ind TOU - Primary | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Large Commercial - Interruptible | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Small Commercial | (1,275) | (1,373) | (273) | 720 | 49 | 1,519 | 1,672 | 2,636 | (2,317) | (307) | (821) | 165 | 394 |
| Sm Comm - TOU 6 Month | (126) | (141) | (27) | 69 | 5 | 160 | 165 | 270 | (231) | (28) | (78) | 14 | 52 |
| Sm Comm - TOU 12 Month | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Irrigation & Water Pumping | (36) | (58) | (16) | 14 | 2 | 45 | 48 | 53 | (45) | (6) | (15) | 3 | (12) |
| Irrigation & Water Pumping TOU | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Security Lights | (8) | (8) | (2) | 4 | 0 | 11 | 12 | 17 | (15) | (2) | (6) | 1 | 5 |
| Street Lighting | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Total | (5,296) | (5,367) | (1,054) | 2,850 | 199 | 6,495 | 7,532 | 13,097 | (12,705) | (1,602) | (4,073) | 731 | 806 |
| Total System | (212,060) | (205,560) | (45,201) | 114,405 | 7,141 | 281,289 | 299,744 | 481,279 | (519,815) | (69,039) | (182,316) | 30,125 | (28) |

ATTACHMENT 15

NAVOPACHE ELECTRIC COOPERATIVE, INC.

PROPOSED OTHER REVENUE

| | Number of Occurrences | Fee | | Revenue | | Change | |
|-------------------|-----------------------|----------|----------|--------------|--------------|--------|--------------|
| | | Existing | Proposed | Existing | Proposed | Fee | Revenue |
| Establishment Fee | 5,513 | 25.00 | 50.00 | 137,825.00 | 275,650.00 | 25.00 | 137,825.00 |
| NSF | 354 | 25.00 | 30.00 | 8,850.00 | 10,620.00 | 5.00 | 1,770.00 |
| Meter Test | 5 | 35.00 | 50.00 | 175.00 | 250.00 | 15.00 | 75.00 |
| Upgrade | 8 | 25.00 | 50.00 | 200.00 | 400.00 | 25.00 | 200.00 |
| Total | | | | \$288,890.00 | \$428,760.00 | | \$139,870.00 |

ATTACHMENT 16

NAVOPACHE ELECTRIC COOPERATIVE, INC.
Lakeside, Arizona

STANDARD OFFER TARIFF

SCHEDULE NO. 1
RESIDENTIAL, SCHOOLS, CHURCHES, AND COMMUNITY HALLS

Effective: For electrical usage beginning on or about ____ 1, 2012 and billed beginning with the ____ 1, 2012 cycle billings.

Availability

Available to residential and farm consumers, and to schools, churches, and community halls requiring single-phase service throughout the Cooperative's certificated area, where the facilities of the Cooperative are of adequate capacity and are adjacent to premises. This service is subject to the Cooperative's rules and regulations.

Applicability

To all single-phase residential, school, church, and community hall electric service in individual locations and individually metered apartments and for non-seasonal farm use when all service is supplied at one point of delivery and energy is metered through one meter.

Not applicable for resale, breakdown, standby or auxiliary service.

Type of Service

Single-phase, 60 cycles, nominal 120/240 volts, 120/208 volts, 3 wire, and limited to individual motors of 10 HP or less that will not cause excessive voltage fluctuations, supplied through one set of service wires and metered through one meter.

Monthly Rate

A. STANDARD RATE:

| STANDARD RATE | Power Supply | Distribution Charges | | | | | Total Rate |
|-----------------------------------|--------------|----------------------|---------------|---------|-----------|-----------|------------|
| | | Metering | Meter Reading | Billing | Access | Total | |
| Customer Charge (\$/Customer/Mo.) | | \$1.72 | \$2.68 | \$7.61 | \$11.24 | \$23.25 | \$23.25 |
| Energy Charge (\$/kWh) | | | | | | | |
| 1 - 400 kWh | \$0.05400 | | | | \$0.01900 | \$0.01900 | \$0.07300 |
| Over 400 kWh | \$0.08500 | | | | \$0.02900 | \$0.02900 | \$0.11400 |

NAVOPACHE ELECTRIC COOPERATIVE, INC.
Lakeside, Arizona

STANDARD OFFER TARIFF

SCHEDULE NO. 1
RESIDENTIAL, SCHOOLS, CHURCHES, AND COMMUNITY HALLS

OR,

B. OPTIONAL TIME-OF-USE ("TOU") RATE:

| TIME-OF-USE RATE | Power Supply | Distribution Charges | | | | | Total Rate |
|--------------------------------------|-----------------|----------------------|------------------|---------|-----------|-----------|------------|
| | | Metering | Meter Reading | Billing | Access | Total | |
| Customer Charge (\$/Customer/Mo.) | | \$4.14 | \$5.23 | \$7.44 | \$12.69 | \$29.50 | \$29.50 |
| Energy Charge (\$/kWh) | | | | | | | |
| On-Peak kWh | \$0.13480 | | | | \$0.02100 | \$0.02100 | \$0.01558 |
| Off-Peak kWh | \$0.02900 | | | | \$0.02100 | \$0.02100 | \$0.05000 |

The Optional TOU Rate is voluntary and, subject to meter availability and installation, shall be applicable with the first complete cycle after receipt of a customer's written request. The rate is available during the months of October through March or year-round at the customer's option. If the customer requests to be taken off the Optional TOU Rate, the Standard Rate will be applied to the next complete billing cycle after receipt of the request.

Definition of On-Peak/Off-Peak Hours

April through September: For this rate schedule, On-Peak hours are 9:00 a.m. to 5:00 p.m. and 7:00 p.m. to 10:00 p.m., Monday through Saturday. All other hours are considered to be Off-Peak.

October through March: For this rate schedule, On-Peak hours are 10:00 a.m. to 3:00 p.m. and 6:00 p.m. to 11:00 p.m., Monday through Saturday. All other hours are considered to be Off-Peak.

Minimum Charge

The minimum monthly charge shall be the Customer Charge. The minimum does not include power cost adjustment. Where it is necessary to extend or reinforce existing distribution facilities, the minimum monthly charge may be increased to assure adequate compensation for the added facilities. Where the minimum charge is increased in accordance with the terms of this section, additional energy shall be included in accordance with the foregoing schedule.

Tax Adjustment

The Cooperative is authorized to collect and pass on, by adding to the bill to the consumer, the applicable proportionate part of any taxes or government impositions which are or may in the future be assessed on the basis of the gross revenues of the Cooperative and/or the price or revenue from the electric energy or service sold and/or the volume of energy purchased for sale and/or sold hereunder.

Purchased Power Cost Adjustment

The Cooperative shall, if purchased power cost is increased or decreased above or below the base purchased power cost of \$0.066160 per kWh sold, flow through such increases or decreases to all classes of consumers.

NAVOPACHE ELECTRIC COOPERATIVE, INC.
Lakeside, Arizona

STANDARD OFFER TARIFF

SCHEDULE NO. 1
RESIDENTIAL, SCHOOLS, CHURCHES, AND COMMUNITY HALLS

Meter Readings

All meter readings and billings shall be based on actual meter readings, except due to meter failure or the inability to obtain an actual reading (e.g., inclement weather) when a reasonable estimate of the amount of energy and/or billing demand shall be made by the Cooperative. Meter readings and billings will be made as closely as practical on the same day each month on a cycle basis.

Terms of Payment

Billings made under this schedule will be due and payable upon receipt and past due fifteen (15) days from the date the bill is mailed. Service will be subject to disconnect in accordance with the Cooperative's collection policy.

Demand Side Management Program (DSMP) Adder

The Cooperative shall add to its bill a demand side management program adder per kWh to help offset the costs associated with Navopache programs designed to promote load management and approved by Staff of the Arizona Corporation Commission. The amount of the adder shall be recomputed annually based upon reports submitted to the Commission by Navopache.

Renewable Energy Standard (RES) Adder

The Cooperative shall add to its bill an RES adder in the amount set forth in its separate Renewable Energy Standard tariff.

Other Charges

Other charges may be applicable subject to approval by the Arizona Corporation Commission.

NAVOPACHE ELECTRIC COOPERATIVE, INC.
Lakeside, Arizona

STANDARD OFFER TARIFF

SCHEDULE NO. 2
COMMERCIAL AND INDUSTRIAL SERVICE – ABOVE 50 KVA

Effective: For electrical usage beginning on or about ____ 1, 2012 and billed beginning with the ____ 1, 2012 cycle billings.

Availability

Available to consumers, single- or three-phase, throughout the Cooperative's certificated area that require more than 50 kVA of transformer capacity where the facilities of the Cooperative are of adequate capacity and are adjacent to premises. This service is subject to the Cooperative's rules and regulations.

Type of Service

Single- or three-phase, over 50 kVA transformer capacity, alternating current, 60 cycles, at available secondary or primary voltages.

Monthly Rate

A. STANDARD RATE:

| STANDARD RATE | Power Supply | Distribution Charges | | | | | Total Rate |
|--|--------------|----------------------|---------------|---------|---------|----------|------------|
| | | Metering | Meter Reading | Billing | Access | Total | |
| Customer Charge (\$/Customer/Mo.) | | | | | | | |
| Secondary | | \$18.40 | \$3.18 | \$11.42 | \$87.00 | \$120.00 | \$120.00 |
| Primary | | \$143.40 | \$3.18 | \$11.42 | \$86.00 | \$244.00 | \$244.00 |
| Billing Demand Charge (\$kW of Billing Demand) | \$2.50 | | | | \$7.25 | \$7.25 | \$9.75 |
| Energy Charge (\$/kWh) | | | | | | | |
| 1 – 400 kWh | \$0.07500 | | | | | | \$0.07500 |
| Over 400 kWh | \$0.02600 | | | | | | \$0.02600 |

NAVOPACHE ELECTRIC COOPERATIVE, INC.
Lakeside, Arizona

STANDARD OFFER TARIFF

SCHEDULE NO. 2
COMMERCIAL AND INDUSTRIAL SERVICE – ABOVE 50 KVA

OR,

B. OPTIONAL TIME-OF-USE ("TOU") RATE:

| TIME-OF-USE RATE | Power Supply | Distribution Charges | | | | | Total Rate |
|--|-----------------|----------------------|------------------|---------|---------|----------|------------|
| | | Metering | Meter Reading | Billing | Access | Total | |
| Customer Charge (\$/Customer/Mo.) | | | | | | | |
| Secondary | | \$57.98 | \$5.23 | \$11.42 | \$80.37 | \$155.00 | \$155.00 |
| Primary | | \$147.98 | \$5.23 | \$11.42 | \$79.37 | \$244.00 | \$244.00 |
| Billing Demand Charge (\$kW of Billing Demand) | \$2.35 | \$6.65 | | | | | \$9.00 |
| On-Peak Demand Charge (\$kW On- Peak Demand) | \$14.00 | | | | | | \$14.00 |
| Energy Charge (\$/kWh) | \$0.023500 | | | | | | \$0.023500 |

Demand/TOU metering must be installed to record kW demand and kWh usage during the hours specified below. Customers may change to or from the TOU Rate only once during a twelve (12) month period.

Definition of On-Peak/Off-Peak Hours

For this rate schedule, On-Peak hours shall be 8:00 a.m. to 9:00 p.m. every day. Off-Peak hours shall be all other times.

Determination of Billing Demand

The Billing Demand shall be the maximum kilowatt demand established by the consumer for any fifteen (15) consecutive minutes during the month. Billing Demand shall be adjusted for power factor as provided below.

Determination of On-Peak Demand

The On-Peak Demand shall be the maximum kilowatt demand established by the consumer for any fifteen (15) consecutive minutes during the On-Peak hours of 8:00 a.m. to 9:00 p.m. The On-Peak Demand shall be adjusted for power factor as provided below.

Power Factor Adjustment

The consumer agrees to maintain unity power factor as nearly as practical. The Cooperative may install power factor metering devices at its discretion. Demand charges will be adjusted for consumers with 50 kW or more of measured demand to correct for power factors during any period of fifteen consecutive minutes is lower than 90%, and may be so adjusted for other consumers if and when the Seller deems necessary. Such adjustments will be made by increasing the measured demand 1% for each 1% by which the power factor during any period of fifteen consecutive minutes is less than 90% lagging.

NAVOPACHE ELECTRIC COOPERATIVE, INC.
Lakeside, Arizona

STANDARD OFFER TARIFF

SCHEDULE NO. 2
COMMERCIAL AND INDUSTRIAL SERVICE – ABOVE 50 KVA

Minimum Monthly Charge

The minimum monthly charge shall be the higher of the following charges as determined for the consumer in question:

- (1) The minimum monthly charge specified in the contract for service; or
- (2) A charge of \$1.75 per kVA of installed transformer capacity.

Note: Minimum does not include power cost adjustment.

Delivery of Primary Service

When a customer taking service at voltage of 14,400 and above and in excess of 750 kVA, furnishes his own transformer and substation equipment, and receives delivery of electricity at primary voltage metering, a discount of 3% shall be allowed on monthly bills for primary metering. The 3% discount will not be allowed on the purchased power cost adjustment that is shown separately on this bill.

The Cooperative shall have the right to approve of transformers and substation equipment furnished by the consumer under this type of service.

Tax Adjustment

The Cooperative is authorized to collect and pass on, by adding to the bill to the consumer, the applicable proportionate part of any taxes or government impositions which are or may in the future be assessed on the basis of the gross revenues of the Cooperative and/or the price or revenue from the electric energy or service sold and/or the volume of energy purchased for sale and/or sold hereunder.

Purchased Power Cost Adjustment

The Cooperative shall, if purchased power cost is increased or decreased above or below the base purchased power cost of \$0.066160 per kWh sold, flow through such increases or decreases to all classes of consumers.

Meter Readings

All meter readings and billings shall be based on actual meter readings, except due to meter failure or the inability to obtain an actual reading (e.g., inclement weather) when a reasonable estimate of the amount of energy and/or billing demand shall be made by the Cooperative. Meter readings and billings will be made as closely as practical on the same day each month on a cycle basis.

Terms of Payment

Billings made under this schedule will be due and payable upon receipt and past due fifteen (15) days from the date the bill is mailed. Service will be subject to disconnect in accordance with the Cooperative's collection policy.

Demand Side Management Program (DSMP) Adder

The Cooperative shall add to its bill a demand side management program adder per kWh to help offset the costs associated with Navopache programs designed to promote load management and

NAVOPACHE ELECTRIC COOPERATIVE, INC.
Lakeside, Arizona

STANDARD OFFER TARIFF

SCHEDULE NO. 2
COMMERCIAL AND INDUSTRIAL SERVICE – ABOVE 50 KVA

approved by Staff of the Arizona Corporation Commission. The amount of the adder shall be recomputed annually based upon reports submitted to the Commission by Navopache.

Renewable Energy Standard (RES) Adder

The Cooperative shall add to its bill an RES adder in the amount set forth in its separate Renewable Energy Standard tariff.

Other Charges

Other charges may be applicable subject to approval by the Arizona Corporation Commission.

NAVOPACHE ELECTRIC COOPERATIVE, INC.
Lakeside, Arizona

STANDARD OFFER TARIFF

SCHEDULE NO. 3
SMALL COMMERCIAL

Effective: For electrical usage beginning on or about ____ 1, 2012 and billed beginning with the ____ 2012 cycle billings.

Availability

Available to consumers throughout the Cooperative's certificated area that require 50 kVA or less of transformer capacity and located along the existing electric distribution system of the Cooperative for single- and/or three-phase service for commercial lighting, small power, and other commercial or business uses. This service is subject to the Cooperative's rules and regulations.

Applicability

This schedule is applicable to all commercial use which includes service used by retail or wholesale businesses, small manufacturing or processing establishments, tourist or trailer camps, motels, stores, restaurants, service stations, professional offices, and three-phase service to residential, public buildings, churches, and apartments where more than one unit is served from an individual meter and all other uses not ordinarily considered as normal residential or home use. Except in cases of master metered mobile home parts, service under this schedule shall not be resold or shared with others.

Type of Service

Single- or three-phase, 60 cycles, at available secondary voltages. Motors having a rated capacity in excess of 10 horsepower must be three-phase.

Monthly Rate

A. STANDARD RATE:

| STANDARD RATE | Power Supply | Distribution Charges | | | | | Total Rate |
|-----------------------------------|--------------|----------------------|---------------|---------|-----------|-----------|------------|
| | | Metering | Meter Reading | Billing | Access | Total | |
| Customer Charge (\$/Customer/Mo.) | | \$2.87 | \$2.62 | \$7.61 | \$19.65 | \$32.75 | \$32.75 |
| Energy Charge (\$/kWh) | \$0.06380 | | | | \$0.02620 | \$0.02620 | \$0.09000 |

NAVOPACHE ELECTRIC COOPERATIVE, INC.
Lakeside, Arizona

STANDARD OFFER TARIFF

SCHEDULE NO. 3
SMALL COMMERCIAL

OR,

B. OPTIONAL TIME-OF-USE RATE:

| TIME-OF-USE RATE | Power Supply | Distribution Charges | | | | | Total Rate |
|--------------------------------------|-----------------|----------------------|------------------|---------|-----------|-----------|------------|
| | | Metering | Meter Reading | Billing | Access | Total | |
| Customer Charge (\$/Customer/Mo.) | | \$8.72 | \$5.23 | \$7.61 | \$20.94 | \$42.50 | \$42.50 |
| Energy Charge (\$/kWh) | | | | | | | |
| On-Peak kWh | \$0.12380 | | | | \$0.02620 | \$0.02620 | \$0.15000 |
| Off-Peak kWh | \$0.02880 | | | | \$0.02620 | \$0.02620 | \$0.05500 |

The Optional TOU Rate is voluntary and, subject to meter availability and installation, shall be applicable with the first complete cycle after receipt of a customer's written request. The rate is available during the months of October through March or year-round at the customer's option. If the customer requests to be taken off the Optional TOU Rate, the Standard Rate will be applied to the next complete billing cycle after receipt of the request.

Definition of On-Peak/Off-Peak Hours

April through September: For this rate schedule, On-Peak hours are 9:00 a.m. to 5:00 p.m. and 7:00 p.m. to 10:00 p.m., Monday through Saturday. All other hours are considered to be Off-Peak.

October through March: For this rate schedule, On-Peak hours are 10:00 a.m. to 3:00 p.m. and 6:00 p.m. to 11:00 p.m., Monday through Saturday. All other hours are considered to be Off-Peak.

Minimum Monthly Charge

The minimum monthly charge under the above rate shall be the customer charge, where 10 kVA or less of transformer capacity is required. For consumers requiring more than 10 kVA of transformer capacity, the minimum monthly charge shall be increased by \$1.75 per each additional kVA or fraction thereof required. Where it is necessary to extend or reinforce existing distribution facilities, the minimum monthly charge may be increased in accordance with the terms of this section, additional energy shall be included in accordance with the foregoing rate schedule.

Tax Adjustment

The Cooperative is authorized to collect and pass on, by adding to the bill to the consumer, the applicable proportionate part of any taxes or government impositions which are or may in the future be assessed on the basis of the gross revenues of the Cooperative and/or the price or revenue from the electric energy or service sold and/or the volume of energy purchased for sale and/or sold hereunder.

NAVOPACHE ELECTRIC COOPERATIVE, INC.
Lakeside, Arizona

STANDARD OFFER TARIFF

SCHEDULE NO. 3
SMALL COMMERCIAL

Purchased Power Cost Adjustment

The Cooperative shall, if purchased power cost is increased or decreased above or below the base purchased power cost of \$0.066160 per kWh sold, flow through such increases or decreases to all classes of consumers.

Meter Readings

All meter readings and billings shall be based on actual meter readings, except due to meter failure or the inability to obtain an actual reading (e.g., inclement weather) when a reasonable estimate of the amount of energy and/or billing demand shall be made by the Cooperative. Meter readings and billings will be made as closely as practical on the same day each month on a cycle basis.

Terms of Payment

Billings made under this schedule will be due and payable upon receipt and past due fifteen (15) days from the date the bill is mailed. Service will be subject to disconnect in accordance with the Cooperative's collection policy.

Demand Side Management Program (DSMP) Adder

The Cooperative shall add to its bill a demand side management program adder per kWh to help offset the costs associated with Navopache programs designed to promote load management and approved by Staff of the Arizona Corporation Commission. The amount of the adder shall be recomputed annually based upon reports submitted to the Commission by Navopache.

Renewable Energy Standard (RES) Adder

The Cooperative shall add to its bill an RES adder in the amount set forth in its separate Renewable Energy Standard tariff.

Other Charges

Other charges may be applicable subject to approval by the Arizona Corporation Commission.

NAVOPACHE ELECTRIC COOPERATIVE, INC.
Lakeside, Arizona

SCHEDULE NO. 4
IRRIGATION AND WATER PUMPING SERVICE

Effective: For electrical usage beginning on or about ____1, 2012 and billed beginning with the ____ 2012 cycle billings.

Availability

Available to consumers for service to irrigation pumps and any other water pumping loads within the Cooperative's certificated area requiring less than 300 kVA of transformer capacity, where the facilities of the Cooperative are of adequate capacity and are adjacent to the customer's premises. This rate is not available to loads served by primary metering. This service is subject to the Cooperative's rules and regulations.

Type of Service

Single- or three-phase, 60 cycle alternating current. At the discretion of the Cooperative, single-phase service may be furnished, provided the motor capacity is not in excess of ten horsepower (10 HP).

Monthly Rate

A. STANDARD RATE:

| STANDARD RATE | Power Supply | Distribution Charges | | | | | Total Rate |
|-----------------------------------|--------------|---|---------------|---------|---------|---------|------------|
| | | Metering | Meter Reading | Billing | Access | Total | |
| Customer Charge (\$/Customer/Mo.) | | \$5.36 | \$2.62 | \$7.61 | \$26.41 | \$42.00 | \$42.00 |
| Demand Charge (\$/kW/Month) | \$5.00 | | | | | | \$5.00 |
| Energy Charge (\$/kWh) | \$0.04980 | <div> <div>\$0.03520</div> <div>\$0..03520</div> </div> | | | | | \$0.08500 |

NAVOPACHE ELECTRIC COOPERATIVE, INC.
Lakeside, Arizona

SCHEDULE NO. 4
IRRIGATION AND WATER PUMPING SERVICE

OR,

B. OPTIONAL TIME-OF-USE ("TOU") RATE:

| TIME-OF-USE RATE | Power Supply | Distribution Charges | | | | | Total Rate |
|---|-----------------|----------------------|------------------|---------|---------|---------|------------|
| | | Metering | Meter Reading | Billing | Access | Total | |
| Customer Charge (\$/Customer/Mo.) | | \$7.47 | \$5.23 | \$7.61 | \$26.69 | \$47.00 | \$47.00 |
| Billing Demand Charge (\$/kW of Billing Demand) | \$2.40 | \$2.60 | | | | | \$5.00 |
| On-Peak Demand Charge (\$/kW On- Peak Demand) | \$8.80 | | | | | | \$8.80 |
| Energy Charge (\$/kWh) | \$0.02230 | \$0.01660 | | | | | \$0.03890 |

Demand/TOU Metering must be installed to record kW demand and kWh usage during the hours specified below.

Definition of On-Peak/Off-Peak Hours

For this rate schedule, On-Peak hours shall be 8:00 a.m. to 9:00 p.m. every day. Off-peak hours shall be all other times.

Minimum Monthly Charge

The minimum monthly charge shall be the higher of the following charges as determined for the consumer in question:

- (1) The minimum monthly charge specified in the contract for service, or
- (2) A charge of \$1.75 per kVA of installed transformer capacity.

Determination of Billing Demand

The Billing Demand shall be the maximum kilowatt demand established by the consumer for any fifteen (15) consecutive minutes during the On-Peak hours of 8:00 a.m. to 9:00 p.m. The On-Peak Demand shall be adjusted for power factor as provided below.

NAVOPACHE ELECTRIC COOPERATIVE, INC.
Lakeside, Arizona

SCHEDULE NO. 4
IRRIGATION AND WATER PUMPING SERVICE

Power Factor Adjustment

The consumer agrees to maintain unity power factor as nearly as practical. The Cooperative may install power factor metering devices at its discretion. Demand charges will be adjusted for consumers with 50 kW or more of measured demand to correct for power factors during any period of fifteen consecutive minutes is lower than 90%, and may be so adjusted for other consumers if and when the Seller deems necessary. Such adjustments will be made by increasing the measured demand 1% for each 1% by which the power factor during any period of fifteen consecutive minutes is less than 90% lagging.

Tax Adjustment

The Cooperative is authorized to collect and pass on, by adding to the bill to the consumer, the applicable proportionate part of any taxes or government impositions which are or may in the future be assessed on the basis of the gross revenues of the Cooperative and/or the price or revenue from the electric energy or service sold and/or the volume of energy purchased for sale and/or sold hereunder.

Purchased Power Cost Adjustment

The Cooperative shall, if purchased power cost is increased or decreased above or below the base purchased power cost of \$0.066160 per kWh sold, flow through such increases or decreases to all classes of consumers.

Meter Readings

All meter readings and billings shall be based on actual meter readings, except due to meter failure or the inability to obtain an actual reading (e.g., inclement weather) when a reasonable estimate of the amount of energy and/or billing demand shall be made by the Cooperative. Meter readings and billings will be made as closely as practical on the same day each month on a cycle basis.

Terms of Payment

Billings made under this schedule will be due and payable upon receipt and past due fifteen (15) days from the date the bill is mailed. Service will be subject to disconnect in accordance with the Cooperative's collection policy.

Demand Side Management Program (DSMP) Adder

The Cooperative shall add to its bill a demand side management program adder per kWh to help offset the costs associated with Navopache programs designed to promote load management and approved by Staff of the Arizona Corporation Commission. The amount of the adder shall be recomputed annually based upon reports submitted to the Commission by Navopache.

Renewable Energy Standard (RES) Adder

The Cooperative shall add to its bill an RES adder in the amount set forth in its separate Renewable Energy Standard tariff.

Other Charges

Other charges may be applicable subject to approval by the Arizona Corporation Commission.

NAVOPACHE ELECTRIC COOPERATIVE, INC.
Lakeside, Arizona

STANDARD OFFER TARIFF

SCHEDULE NO. 5
SECURITY LIGHTS

Effective: For electrical usage beginning on or about ____ 1, 2012 and billed beginning with the ____ 2012 cycle billings.

Availability

Available to consumers in the Cooperative's certificated area for security lighting uses, where the facilities of the Cooperative are of adequate capacity and are adjacent to the customer's premises. This service is subject to the Cooperative's rules and regulations.

Type of Service

Single-phase, 120/240 volts, 60 cycle alternating current.

Application

The Cooperative will construct, maintain, and operate all security lights, except in existing instances where the consumer owns the light, in which case the consumer shall be responsible for operation and maintenance of same.

Lamps will be controlled by timing devices or photoelectric units to provide service from dusk to dawn.

Monthly Rate

The monthly rate shall be as follows, based on estimated average monthly usage for unmetered lights:

A. CONSUMER OWNED SECURITY LIGHTS:

| Consumer Owned | Power Supply | Distribution | | | Total Rate |
|-----------------------------|--------------|--------------|--------|--------|------------|
| | | Billing | Access | Total | |
| 175 Watt MVL 75 kWh | \$4.35 | \$0.22 | \$4.00 | \$4.22 | \$8.57 |
| 250 Watt MVL 110 kWh | \$6.38 | \$0.33 | \$4.39 | \$4.72 | \$11.10 |
| 400 Watt MVL 175 kWh | \$10.15 | \$0.52 | \$7.51 | \$8.03 | \$18.18 |
| 100 Watt HPS 34 kWh | \$1.97 | \$0.10 | \$3.48 | \$3.58 | \$5.55 |
| 150 Watt HPS 50 kWh | \$2.90 | \$0.15 | \$4.80 | \$4.95 | \$7.85 |
| 250 Watt HPS 85 kWh | \$4.93 | \$0.25 | \$4.15 | \$5.40 | \$10.33 |
| Pole Charge (if applicable) | | \$4.00 | | \$4.00 | \$4.00 |

NAVOPACHE ELECTRIC COOPERATIVE, INC.
Lakeside, Arizona

STANDARD OFFER TARIFF

SCHEDULE NO. 5
SECURITY LIGHTS

OR,

B. COOPERATIVE OWNED SECURITY LIGHTS:

| Cooperative Owned | Power Supply | Distribution | | | Total Rate |
|-----------------------------|--------------|--------------|---------|---------|------------|
| | | Billing | Access | Total | |
| 175 Watt MVL 75 kWh | \$4.35 | \$0.22 | \$5.78 | \$6.00 | \$10.35 |
| 250 Watt MVL 110 kWh | \$6.38 | \$0.33 | \$6.80 | \$7.13 | \$13.51 |
| 400 Watt MVL 175 kWh | \$10.15 | \$0.52 | \$11.18 | \$11.70 | \$21.85 |
| 100 Watt HPS 34 kWh | \$1.97 | \$0.10 | \$6.53 | \$6.63 | \$8.60 |
| 150 Watt HPS 50 kWh | \$2.90 | \$0.15 | \$7.85 | \$8.00 | \$10.90 |
| 250 Watt HPS 85 kWh | \$4.93 | \$0.25 | \$8.20 | \$8.45 | \$13.38 |
| Pole Charge (if applicable) | | \$4.00 | | \$4.00 | \$4.00 |

Tax Adjustment

The Cooperative is authorized to collect and pass on, by adding to the bill to the consumer, the applicable proportionate part of any taxes or government impositions which are or may in the future be assessed on the basis of the gross revenues of the Cooperative and/or the price or revenue from the electric energy or service sold and/or the volume of energy purchased for sale and/or sold hereunder.

Purchased Power Cost Adjustment

The Cooperative shall, if purchased power cost is increased or decreased above or below the base purchased power cost of \$0.066160 per kWh sold, flow through such increases or decreases to all classes of consumers.

Terms of Payment

Billings made under this schedule will be due and payable upon receipt and past due fifteen (15) days from the date the bill is mailed. Service will be subject to disconnect in accordance with the Cooperative's collection policy.

Demand Side Management Program (DSMP) Adder

The Cooperative shall add to its bill a demand side management program adder per kWh to help offset the costs associated with Navopache programs designed to promote load management and approved by Staff of the Arizona Corporation Commission. The amount of the adder shall be recomputed annually based upon reports submitted to the Commission by Navopache.

NAVOPACHE ELECTRIC COOPERATIVE, INC.
Lakeside, Arizona

STANDARD OFFER TARIFF

SCHEDULE NO. 5
SECURITY LIGHTS

Renewable Energy Standard (RES) Adder

The Cooperative shall add to its bill an RES adder in the amount set forth in its separate Renewable Energy Standard tariff.

Other Charges

Other charges may be applicable subject to approval by the Arizona Corporation Commission.

NAVOPACHE ELECTRIC COOPERATIVE, INC.
Lakeside, Arizona

STANDARD OFFER TARIFF

SCHEDULE NO. 6
STREET LIGHTING SERVICE

Effective: For electrical usage beginning on or about ____1, 2012 and billed beginning with the ____ 2012 cycle billings.

Availability

Available to municipal corporations and other organizations within the Cooperative's certificated area qualifying for street lighting service, where the facilities of the Cooperative are of adequate capacity and are adjacent to the customer's premises. This service is subject to the Cooperative's rules and regulations.

Type of Service

Single-phase, 120/240 volts, 60 cycle alternating current.

Application

The consumer shall construct, maintain and operate the system.

Lamps to be controlled by timing devices or photoelectric units to provide for service from dusk until dawn.

Monthly Rate

The monthly rate shall be as follows, based on estimated average monthly usage for unmetered lights:

| Street Lighting Service | Power Supply | Distribution | | | Total Rate |
|-------------------------|--------------|--------------|---------|---------|------------|
| | | Billing | Access | Total | |
| 175 Watt MVL 75 kWh | \$4.35 | \$0.22 | \$5.78 | \$6.00 | \$10.35 |
| 250 Watt MVL 110 kWh | \$6.38 | \$0.33 | \$5.81 | \$6.14 | \$12.52 |
| 400 Watt MVL 175 kWh | \$10.15 | \$0.52 | \$11.18 | \$11.70 | \$21.85 |
| 1000 Watt Lamp 435 kWh | \$25.23 | \$1.29 | \$12.98 | \$14.27 | \$39.50 |
| 100 Watt HPS 34 kWh | \$1.97 | \$0.10 | \$3.48 | \$3.58 | \$5.55 |
| 150 Watt HPS 50 kWh | \$2.90 | \$0.15 | \$4.80 | \$4.95 | \$7.85 |
| 250 Watt HPS 85 kWh | \$4.93 | \$0.25 | \$5.15 | \$5.40 | \$10.33 |

NAVOPACHE ELECTRIC COOPERATIVE, INC.
Lakeside, Arizona

STANDARD OFFER TARIFF

SCHEDULE NO. 6
STREET LIGHTING SERVICE

Tax Adjustment

The Cooperative is authorized to collect and pass on, by adding to the bill to the consumer, the applicable proportionate part of any taxes or government impositions which are or may in the future be assessed on the basis of the gross revenues of the Cooperative and/or the price or revenue from the electric energy or service sold and/or the volume of energy purchased for sale and/or sold hereunder.

Purchased Power Cost Adjustment

The Cooperative shall, if purchased power cost is increased or decreased above or below the base purchased power cost of \$0.066160 per kWh sold, flow through such increases or decreases to all classes of consumers.

Terms of Payment

Billings made under this schedule will be due and payable upon receipt and past due fifteen (15) days from the date the bill is mailed. Service will be subject to disconnect in accordance with the Cooperative's collection policy.

Demand Side Management Program (DSMP) Adder

The Cooperative shall add to its bill a demand side management program adder per kWh to help offset the costs associated with Navopache programs designed to promote load management and approved by Staff of the Arizona Corporation Commission. The amount of the adder shall be recomputed annually based upon reports submitted to the Commission by Navopache.

Renewable Energy Standard (RES) Adder

The Cooperative shall add to its bill an RES adder in the amount set forth in its separate Renewable Energy Standard tariff.

Other Charges

Other charges may be applicable subject to approval by the Arizona Corporation Commission.

NAVOPACHE ELECTRIC COOPERATIVE, INC.
Lakeside, Arizona

STANDARD OFFER TARIFF

SCHEDULE NO. 7
OPTIONAL ELECTRIC SERVICE FOR QUALIFIED COGENERATION
AND SMALL POWER PRODUCTION FACILITIES OVER 100 KW

Effective: For electrical usage beginning on or about ____1, 2012 and billed beginning with the ____ 2012 cycle billings.

Availability

Available to consumers within the Cooperative's certificated area, where facilities of adequate capacity and suitable voltages are adjacent to the premises served and when all applicable provisions described herein have been met. This service is subject to the Cooperative's rules and regulations.

Application

Applicable only to qualified cogeneration and small power production facilities of 100 kW or more that meet qualifying status as defined under 18 CFR, Chapter 1, Part 292, Subpart B of the Federal Energy Regulatory Commission's regulations and pursuant to the Arizona Corporation Commission's Decision No. 56271. The facility's generator(s) and load must be located at the same premise.

Type of Service

Single- or three-phase, alternating current, 60 cycles, at available secondary or primary voltages at one standard voltage as may be selected by the consumer.

Monthly Rate

The monthly bill shall be the sum of the amounts computed under A, B, C, and D below, including the applicable Adjustments:

- A. **Basic Service:** \$75.00 per month, plus
\$46.20 per month per each generator meter.
- B. **Supplemental Service:**
Demand and energy charges will be in accordance with Schedule No. 2, Commercial and Industrial Service - Above 50 kVA, based upon the consumer's maximum supplemental demand.
- C. **Standby Service:**
1. **Monthly Reservation Charge:** \$2.96 per kW of Contract Standby Capacity
To be adjusted as specified herein, plus
 2. **Standby Energy Charge** shall be the energy charges applicable under the retail rate schedules of the Cooperative that would be applicable absent the generation of the qualifying facility. The currently approved charges are:
Schedule No. 2, Commercial and Industrial Service - Above 50 kVA
First 300 kWh/kW \$0.07500 per kWh
Excess kWh \$0.02600 per kWh

NAVOPACHE ELECTRIC COOPERATIVE, INC.
Lakeside, Arizona

STANDARD OFFER TARIFF

SCHEDULE NO. 7
OPTIONAL ELECTRIC SERVICE FOR QUALIFIED COGENERATION
AND SMALL POWER PRODUCTION FACILITIES OVER 100 KW

D. Maintenance Service:

The Maintenance Service Energy Charge shall be the energy charges applicable under the retail rate schedules of the Cooperative that would be applicable absent the generation of the qualifying facility. The currently approved charges are:

Schedule No. 2, Commercial and Industrial Service - Above 50 kVA

All charges will be at the Excess Energy Rate:

Excess kWh \$0.02600 per kWh

Determination of Monthly Reservation Charge

The initial Monthly Reservation Charge shall be that charge indicated previously under the Monthly Bill section, Part C, 1. At the end of the first five months of winter service under this rate schedule, an actual forced outage rate for the cogeneration service received by each consumer shall be determined. That actual forced outage rate expressed as a percent shall then be applied to the current unit demand charge paid by the Cooperative to its supplier to determine the Monthly Reservation Charge to be applied to each consumer for the ensuing twelve months. This process will be repeated for each consumer each year to determine the Monthly Reservation Charge to be applied to each consumer for the following year.

Determination of Supplemental Service

Supplemental Service shall be defined as demand and energy contracted by each consumer to augment the power and energy generated by the consumer's generation facility.

Supplemental demand shall be equal to the maximum 15-minute integrated kW demand as calculated for every 15 minute interval as the demand of the Supply meter plus the demand of the Generator meter(s) less the Contract Standby Capacity of the consumer's generator(s).

Supplemental Energy shall be equal to all energy supplied to the consumer as determined from readings of the Supply meter, less any energy determined to be either Standby or Maintenance energy as defined in this schedule.

Determination of Standby Energy

Standby Energy shall be defined to be electric energy supplied by the Cooperative to replace power ordinarily generated by the consumer's generation facility during unscheduled full and partial outages of said consumer's generation facility.

Standby Energy shall be equal to the summation of the differences between the maximum energy output of the consumer's generator(s) at the Contract Standby Capacity and the energy measured on the generator meter(s) for every 15-minute interval of the month, except those intervals when energy measured on the supply meter(s) is zero.

All Standby Energy will be billed at the otherwise applicable rate for Supplemental Service when the energy used during cogeneration exceeds 250 kWh/kW of Contract Standby Capacity in a monthly billing period.

NAVOPACHE ELECTRIC COOPERATIVE, INC.
Lakeside, Arizona

STANDARD OFFER TARIFF

SCHEDULE NO. 7
OPTIONAL ELECTRIC SERVICE FOR QUALIFIED COGENERATION
AND SMALL POWER PRODUCTION FACILITIES OVER 100 KW

Determination of Maintenance Energy

Maintenance Energy shall be defined as energy supplied to the consumer by the Cooperative up to a maximum of the Contract Standby Capacity times the hours in the Scheduled Maintenance period. Maintenance periods shall not exceed thirty (30) days per year and must be scheduled during summer months. The consumer shall supply the Cooperative with a Maintenance Schedule for the first and each ensuing twelve-month period at least sixty (60) days prior to the beginning of that period for the approval of the Cooperative. Energy used in excess of a thirty (30) day period or unauthorized Maintenance Energy shall be billed as supplemental power and energy.

Metering

The Cooperative will install a supply meter at its point of delivery to the consumer and a generator meter at each point of output from each of the consumer's generators. All meters will record integrated demand and energy on the same 15-minute interval basis as specified by the Cooperative.

Definitions

1. **Contract Standby Capacity:** The nameplate kW rating of each cogeneration and/or small power production generating unit multiplied by the Net Output Factor of each unit, to be reevaluated each year.
2. **Net Output Factor:** The ratio of the maximum measured kW output of each cogeneration and/or small power production unit during any 15-minute interval to each unit's nameplate kW rating.
3. **Forced Outage Rate:** The ratio (expressed as a percentage) of the standby energy used during the consumer's On-Peak hours to the product of the Contract Standby Capacity multiplied by those hours.
4. **Generator Meter:** The time-of-use meter(s) used to measure in 15-minute intervals the total power and energy output of each consumer cogeneration and/or small power production generation unit.
5. **Supply Meter:** The time-of-use meter used to measure in 15-minute intervals the total power and energy supplied by the Cooperative to the consumer.
6. **Time Periods:**

| | |
|-----------|-------------------------|
| On-Peak: | 8:00 a.m. to 9:00 p.m. |
| Off-Peak: | 9:00 p.m. to 8:00 a.m. |
| Winter: | October through March |
| Summer: | April through September |

Mountain Standard Time shall be used in the application of this rate schedule.

**NAVOPACHE ELECTRIC COOPERATIVE, INC.
Lakeside, Arizona**

STANDARD OFFER TARIFF

**SCHEDULE NO. 7
OPTIONAL ELECTRIC SERVICE FOR QUALIFIED COGENERATION
AND SMALL POWER PRODUCTION FACILITIES OVER 100 KW**

Terms and Conditions; Term; Termination

The consumer must enter into a written agreement for all service hereunder including the interconnection and the sale of power and energy with the Cooperative. The contract period shall be for the period specified in the written agreement; however, should the consumer cease to operate cogeneration and/or small power production unit(s) for sixty (60) consecutive days during periods other than planned scheduled maintenance periods, the Cooperative reserves the right to terminate any agreement for service under this rate schedule with the consumer.

Tax Adjustment

The Cooperative is authorized to collect and pass on, by adding to the bill to the consumer, the applicable proportionate part of any taxes or government impositions which are or may in the future be assessed on the basis of the gross revenues of the Cooperative and/or the price or revenue from the electric energy or service sold and/or the volume of energy purchased for sale and/or sold hereunder.

Purchased Power Cost Adjustment

The Cooperative shall, if purchased power cost is increased or decreased above or below the base purchased power cost of \$0.066160 per kWh sold, flow through such increases or decreases to all classes of consumers.

Meter Readings

All meter readings and billings shall be based on actual meter readings, except due to meter failure or the inability to obtain an actual reading (e.g., inclement weather) when a reasonable estimate of the amount of energy and/or billing demand shall be made by the Cooperative. Meter readings and billings will be made as closely as practical on the same day each month on a cycle basis.

Terms of Payment

Billings made under this schedule will be due and payable upon receipt and past due fifteen (15) days from the date the bill is mailed. Service will be subject to disconnect in accordance with the Cooperative's collection policy.

Demand Side Management Program (DSMP) Adder

The Cooperative shall add to its bill a demand side management program adder per kWh to help offset the costs associated with Navopache programs designed to promote load management and approved by Staff of the Arizona Corporation Commission. The amount of the adder shall be recomputed annually based upon reports submitted to the Commission by Navopache.

Renewable Energy Standard (RES) Adder

The Cooperative shall add to its bill an RES adder in the amount set forth in its separate Renewable Energy Standard tariff.

Other Charges

Other charges may be applicable subject to approval by the Arizona Corporation Commission.

NAVOPACHE ELECTRIC COOPERATIVE, INC.
Lakeside, Arizona

STANDARD OFFER TARIFF

SCHEDULE NO. 8
LARGE COMMERCIAL AND INDUSTRIAL
3,000 KW AND GREATER - OPTIONAL

Effective: For electrical usage beginning on or about ____1, 2012 and billed beginning with the ____ 2012 cycle billings.

Availability

In the Cooperative's Certificated Area where its facilities are of adequate capacity and the required phase and suitable voltage are in existence and are adjacent to the premises served. This service is subject to the Cooperative's rules and regulations.

Application

The Large Commercial and Industrial 3,000 kW and Greater is applicable for three-phase service for all electric service used for Commercial, Business, Professional and Industrial peak loads of 3,000 kW and greater which are supplied at one point of delivery and measured through one meter.

Alternately, at the customer's option it may take delivery at multiple delivery points with one primary metering point provided that the customer pays the Cooperative a non-refundable contribution in aid of construction or, at the Cooperative's discretion, the Cooperative will install the facilities required to serve multiple delivery points and the customer will pay for such facilities pursuant to a monthly facilities charge assessed based upon a cost analysis to serve the load. The Cooperative has the right to meter in the most practicable manner, either primary or secondary voltage. Service is available only if the Cooperative has adequate facilities to serve the customer or if adequate facilities can be built at the customer's expense to provide such service.

Type of Service

At available transmission or distribution voltages determined by the Cooperative. Where service of the type desired by the customer is not already available at the point of delivery, additional charges under the Cooperative's Line Extension Policy and special contract arrangements may be required prior to service being furnished.

Monthly Rate

| | | |
|----|--------------------------------|--------------------|
| a. | <u>Customer Charge:</u> | |
| | Meter Cost | \$410.22 per month |
| | Meter Reading | \$ 5.23 per month |
| | Billing | \$ 11.42 per month |
| | Access | \$ 73.13 per month |
| | Total Customer Charge | \$500.00 per month |

NAVOPACHE ELECTRIC COOPERATIVE, INC.
Lakeside, Arizona

STANDARD OFFER TARIFF

SCHEDULE NO. 8
LARGE COMMERCIAL AND INDUSTRIAL
3,000 KW AND GREATER - OPTIONAL

- b. Distribution Demand Charge at the Applicable Metering Point:
- | | |
|----------------------------------|-------------------------------------|
| Transmission Delivery | \$0.99 per kW of Billing Demand, or |
| Distribution Substation Delivery | \$2.47 per kW of Billing Demand, or |
| Distribution Primary Delivery | \$6.96 per kW of Billing Demand, or |
| Distribution Secondary Delivery | \$7.58 per kW of Billing Demand |

Definition of Service Levels

Transmission Delivery is defined as service taken at 69 kV or higher.

Substation Delivery is defined as service taken directly from the low side bus of the distribution substation or where customer has requested that multiple points of delivery be metered at the low side bus of the distribution substation. Where multiple delivery points are metered at the low side bus of the distribution substation, the customer will be charged an additional facilities charge for the Cooperative-owned, operated or maintained facilities on the customer side of the meter

Distribution Primary is defined as service taken at standard distribution voltages where the customer owns the final distribution transformation equipment or where the customer has requested that multiple points of delivery be metered at a single primary metering location. Where multiple delivery points are metered at a single primary metering location, the customer will be charged an additional facilities charge for the Cooperative-owned, operated or maintained facilities on the customer side of the meter.

Distribution Secondary is defined as service taken at standard secondary voltages where the Cooperative owns the final distribution transformation equipment.

- c. Wholesale Power Cost:
The Wholesale Power Cost shall be the cost of electricity to serve the customer, including but not limited to, capacity, energy, transmission, ancillary services and fuel charges for the current billing period plus adjustments applied to the current monthly billing to account for differences in actual purchased electricity costs billed in previous periods from all providers who provide services in connection with the Wholesale Power Cost. The Wholesale Power Cost will be calculated using the billing units defined in the same manner as defined in the wholesale rate to the Cooperative, including any ratchet provisions in the wholesale rate. The customer's billing units may be adjusted for line losses, as determined by the Cooperative, to calculate the customer's power cost at the wholesale supplier's metering point to the Cooperative.
- d. Facilities Charge:
An additional monthly charge for the provision of distribution facilities as determined by the written Agreement between the Cooperative and the customer.

NAVOPACHE ELECTRIC COOPERATIVE, INC.
Lakeside, Arizona

STANDARD OFFER TARIFF

SCHEDULE NO. 8
LARGE COMMERCIAL AND INDUSTRIAL
3,000 KW AND GREATER - OPTIONAL

Determination of Facilities Billing Demand

The billing Demand for purposes of determining the Distribution Demand Charge will be the greater of: (1) the contract demand as defined in the Agreement for Electric Service, (2) the highest maximum thirty-minute demand established during the current and previous eleven billing periods, or (3) 2000 kW.

Minimum Monthly Charge

The greater of the amount specified in the written Agreement between the Cooperative and the customer or the sum of the monthly Customer Charge, Distribution Demand Charge, and Facilities Charge, not including any wholesale power cost adjuster or any other adder approved by the Arizona Corporation Commission..

Power Factor Adjustment

The consumer agrees to maintain unity power factor as nearly as practical. The Cooperative may install power factor metering devices at its discretion. Demand charges will be adjusted for consumers with 50 kW or more of measured demand to correct for power factors during any period of fifteen consecutive minutes is lower than 90%, and may be so adjusted for other consumers if and when the Seller deems necessary. Such adjustments will be made by increasing the measured demand 1% for each 1% by which the power factor during any period of fifteen consecutive minutes is less than 90% lagging

Terms and Conditions; Term; Termination

The consumer must enter into a written agreement for all service hereunder. Any service provisions that are different from the provisions of the Tariff shall be set forth in a written agreement that will require the approval of the Arizona Corporation Commission. The written agreement shall contain, among other provisions, provisions for a Contract Demand, Minimum Monthly Charge and a Facilities Charge to cover capital costs and operation and maintenance costs, if applicable. Should the customer request service at the Transmission Delivery rate, and should the line connections be made directly with the lines of the Cooperative's transmission provider, then the contract may become a three-party contract to cover the provisions required by the Cooperative's transmission provider.

Service Availability Charge

A Service Availability Charge to be paid by the customer to the Cooperative may be included in the contract to reimburse the Cooperative for its operating expenses with regard to idle or standby services in connection with the facilities constructed or installed pursuant to the contract based upon the Cooperative's estimate of its actual operating costs for such idle or standby services.

Tax Adjustment

The Cooperative is authorized to collect and pass on, by adding to the bill to the consumer, the applicable proportionate part of any taxes or government impositions which are or may in the future be assessed on the basis of the gross revenues of the Cooperative and/or the price or revenue from the electric energy or service sold and/or the volume of energy purchased for sale and/or sold hereunder.

NAVOPACHE ELECTRIC COOPERATIVE, INC.
Lakeside, Arizona

STANDARD OFFER TARIFF

SCHEDULE NO. 8
LARGE COMMERCIAL AND INDUSTRIAL
3,000 KW AND GREATER - OPTIONAL

Purchased Power Cost Adjustment

The Cooperative shall, if purchased power cost is increased or decreased above or below the base purchased power cost of \$0.066160 per kWh sold, flow through such increases or decreases to all classes of consumers.

Meter Readings

All meter readings and billings shall be based on actual meter readings, except due to meter failure or the inability to obtain an actual reading (e.g., inclement weather) when a reasonable estimate of the amount of energy and/or billing demand shall be made by the Cooperative. Meter readings and billings will be made as closely as practical on the same day each month on a cycle basis.

Terms of Payment

Billings made under this schedule will be due and payable upon receipt and past due fifteen (15) days from the date the bill is mailed. Service will be subject to disconnect in accordance with the Cooperative's collection policy.

Demand Side Management Program (DSMP) Adder

The Cooperative shall add to its bill a demand side management program adder per kWh to help offset the costs associated with Navopache programs designed to promote load management and approved by Staff of the Arizona Corporation Commission. The amount of the adder shall be recomputed annually based upon reports submitted to the Commission by Navopache.

Renewable Energy Standard (RES) Adder

The Cooperative shall add to its bill an RES adder in the amount set forth in its separate Renewable Energy Standard tariff.

Other Charges

Other charges may be applicable subject to approval by the Arizona Corporation Commission.

NAVOPACHE ELECTRIC COOPERATIVE, INC.
Lakeside, Arizona

RENEWABLE ENERGY STANDARD TARIFF

SCHEDULE NO. 9

Effective: July 1, 2008

Renewable Energy Standard ("RES") Surcharge

On all bills for governmental and agricultural customers with multiple meters, an RES Surcharge mandated by the Arizona Corporation Commission will be assessed monthly at the lesser of \$0.000875 per kilowatt-hour of retail electricity purchased by the consumer, or:

Governmental and Agricultural Customers: \$ 13 per service;

Governmental and Agricultural Customers whose metered demand is 3,000 kW or more for 3 consecutive months: \$ 39.00 per service.

In the case of unmetered services, the Load-Serving Entity shall, for the purposes of billing the RES Surcharge and subject to the caps set forth above, use the lesser of (i) the load profile or otherwise estimated kWh required to provide the service in question; or (ii) the service's contract kWh.

On all bills in all other tariff service categories than those listed above, an RES Surcharge mandated by the Arizona Corporation Commission will be assessed monthly at the lesser of \$0.004988 per kilowatt-hour of retail electricity purchased by the customer, or:

Residential Customers: \$ 1.05 per service;

Non-Residential Customers: \$ 39.00 per service;

Non-Residential Customers whose metered demand is 3,000 kW or more for 3 consecutive months: \$ 117.00 per service.

In the case of unmetered services, the Load-Serving Entity shall, for purposes of billing the RES Surcharge and subject to the caps set forth above, use the lesser of (i) the load profile or otherwise estimated kWh required to provide the service in question; or (ii) the service's contract kWh.

The RES Surcharge is in addition to all other rates and charges applicable to service to the customer.

NAVOPACHE ELECTRIC COOPERATIVE, INC.
Lakeside, Arizona

STANDARD OFFER TARIFF

VOLUNTARY RENEWABLE ENERGY PROGRAM

SCHEDULE NO. 10

Effective: For electrical usage beginning on July 1, 2008 and billed beginning with the August 1, 2008 cycle billings.

Availability

Available as an option to all residential and non-residential standard offer members of the Cooperative to participate in the cooperative's renewable energy program. Not applicable for resale, breakdown, standby or auxiliary service. This service is subject to the Cooperative's rules and regulations.

Type of Service

Available to all classes of members, regardless of service entrance size or installed infrastructure located at the member's residence or place of business.

Monthly Rate

\$2.00 per month for each block of 50 kWh of electric generation from renewable resources. Members electing this option may purchase one or more blocks. The rate is in addition to the otherwise applicable charges for all kWh consumed under standard offer service provided by the Cooperative.

Members of the Cooperative may enroll at any time, effective at the beginning of the next billing month. Members may terminate their participation at any time by notifying the Cooperative; termination is effective at the end of the current billing month. Terminations made in conjunction with termination of all service from the Cooperative are effective at the time of such termination.

Conditions

All funds collected under this Schedule will be used solely to construct, operate, and maintain renewable energy projects carried out by the Cooperative in Arizona, including solar electric generating projects. Electric energy generated by renewable resources in blended with other energy throughout the Cooperative's distribution system. Energy delivered to members electing this option will consist of such blended energy.

Tax Adjustment

The applicable sales tax in Arizona will be added to bills where required. The cooperative is authorized to pass on to the consumers the applicable proportionate part of any taxes or government impositions, which are or may in the future be assessed on the basis of the gross revenues of the cooperative.

Terms of Payment

Billing made under this schedule will be due and payable upon receipt and past due fifteen (15) days from the date the bill is mailed. Service will be subject to disconnect in accordance with the cooperative's collection policy.

**NAVOPACHE ELECTRIC COOPERATIVE, INC.
Lakeside, Arizona**

**RENEWABLE ENERGY
CUSTOMER SELF-DIRECTED TARIFF**

SCHEDULE NO. 11

Effective: July 1, 2008

Renewable Energy Standard ("RES") Customer Self-Directed Option

Application

The RES Customer Self-Directed Option is applicable to single and three phase service for Non-Residential Customers with multiple meters that pay more than \$ 25,000 annually in RES Surcharge funds pursuant to the Renewable Energy Standard Tariff for any number of related accounts or services within the Cooperative's service territory. This service is subject to the Cooperative's rules and regulations.

Eligible Customer

An Eligible Customer may apply to the Cooperative to receive funds to install Distributed Renewable Energy Resources. An Eligible Customer seeking to participate in this program shall submit to the Cooperative a written application that describes the Renewable Energy Resources that it proposes to install and the projected cost of the project. An Eligible Customer shall provide at least half of the funding necessary to complete the project described in its application.

An Eligible Customer shall enter into a contract with the Cooperative that specifies, at a minimum, the following information: the type of Distributed Generation ("DG") resource, its total estimated cost, kWh output, its completion date, the expected life of the DG system, a schedule of Eligible Customer expenditures and invoices for the DG system, Cooperative payments to an Eligible Customer for the DG system, and the amount of a Security Bond or Letter of Credit necessary to ensure the future operation of the Eligible Customers' DG system, metering equipment, maintenance, insurance, and related costs.

If proposed to be connected to the Cooperative's electrical system, an Eligible Customer's DG resource shall meet all of the Cooperative's DG interconnection requirements and guidelines before being connected to the Cooperative's electrical system.

All Renewable Energy Credits derived from the project, including generation and extra credit multipliers, shall be applied to satisfy the Cooperative's Annual Renewable Energy Requirement.

The funds annually received by an Eligible Customer pursuant to this tariff may not exceed the amount annually paid by the Eligible Customer pursuant to the RES Surcharge Tariff.

NAVOPACHE ELECTRIC COOPERATIVE, INC.
Lakeside, Arizona

SUB-TRANSMISSION SERVICE
SCHEDULE TS

Schedule No. 12

Effective: For electrical usage beginning on or about ____1, 2012 and billed beginning with the ____ 1, 2012 cycle billings.

Availability.

Sub-Transmission Wheeling Service is available only on the Cooperative's 69 kV transmission facilities where adequate capacity and suitable voltage are available to implement Sub-Transmission Wheeling Service. Service under this tariff is sub-transmission service only, which is not subject to the jurisdiction of the Federal Energy Regulatory Commission and expressly excludes retail transmission, standby, startup, or auxiliary service. This service is subject to the Cooperative's rules and regulations.

Applicability.

Sub-Transmission Service is available under this tariff only to Eligible Transmission Service Customers, as defined by this tariff. Any power delivered onto or received from the Cooperative's transmission facilities under this tariff must be delivered onto and received at 69 kV, three phase, 60 hertz alternating current.

Definition of Eligible Sub-Transmission Service Customer.

Eligible Sub-Transmission Service Customers are any electric utility, person, or entity with all applicable permits, licenses and authorizations to generate or purchase electric energy for resale.

Conditions:

The Cooperative will provide sub-transmission service to Eligible Sub-Transmission Service Customer, provided that:

- (1) The Eligible Sub-Transmission Service Customer has executed a Transmission Service Interconnection Agreement with the Cooperative;
- (2) Both the Cooperative and the Eligible Sub-Transmission Service Customer (or a third party on behalf of the Eligible Transmission Service Customer) have completed installation of all equipment specified under the Transmission Service Agreement. The Cooperative shall exercise reasonable efforts, in coordination with the Eligible Sub-Transmission Service Customer, to complete such arrangements as soon as practical prior to the service commencement date;
- (3) The Eligible Sub-Transmission Service Customer satisfies all other conditions for transmission service specified in the Cooperative's Rules and Regulations.

Monthly Rate.

| | |
|------------------|----------------------------|
| Customer Charge: | \$500.00 per month |
| Demand Charge: | \$ 0.99 per Billing NCP kW |

NAVOPACHE ELECTRIC COOPERATIVE, INC.
Lakeside, Arizona

SUB-TRANSMISSION SERVICE
SCHEDULE TS

Schedule No. 12

Determination of Metered Non-Coincident Demand (Metered NCP).

The Customer's Metered NCP shall be the maximum rate at which energy is produced for any period of fifteen (15) consecutive minutes of the month for which the bill is rendered as shown by the Cooperative's demand (kW) meter.

Determination of Billing Non-Coincident Demand (Billing NCP).

The Billing NCP shall be the greater of the following:

- (1) The Metered NCP demand measured for the billing period.
- (2) One hundred percent (100%) of the highest Metered NCP demand determined during the twelve (12) months ending with the current billing period.
- (3) The Billing NCP demand specified in the Customer's Transmission Service Interconnection Agreement with the Cooperative.

Losses.

An Eligible Sub-Transmission Service Customer that uses transmission service shall compensate the Cooperative for losses resulting from such transmission service. Applicable losses shall be calculated by the Cooperative.

Voltage Support.

The Eligible Sub-Transmission Service Customer shall maintain a power factor of ninety-eight percent (98%) or greater at each point of interconnection.

Payment.

The monthly bill will be rendered at the above rate. A late payment penalty of two percent (2%) will be added to the monthly bill if the bill is not paid within fifteen (15) days of the date of mailing. Service will be subject to disconnect in accordance with the Transmission Service Agreement.

Tax Adjustment

The Cooperative is authorized to collect and pass on, by adding to the bill to the consumer, the applicable proportionate part of any taxes or government impositions which are or may in the future be assessed on the basis of the gross revenues of the Cooperative and/or the price or revenue from the electric energy or service sold and/or the volume of energy purchased for sale and/or sold hereunder.

Meter Readings

All meter readings and billings shall be based on actual meter readings, except due to meter failure or the inability to obtain an actual reading (e.g., inclement weather) when a reasonable estimate of

NAVOPACHE ELECTRIC COOPERATIVE, INC.
Lakeside, Arizona

SUB-TRANSMISSION SERVICE
SCHEDULE TS

Schedule No. 12

the amount of energy and/or billing demand shall be made by the Cooperative. Meter readings and billings will be made as closely as practical on the same day each month on a cycle basis.

Other Charges

Other charges may be applicable subject to approval by the Arizona Corporation Commission.

NAVOPACHE ELECTRIC COOPERATIVE, INC.
Lakeside, Arizona

**TARIFF SCHEDULE
 OF
 MISCELLANEOUS CHARGES**

Effective: _____ 1, 2012

Application

As specified in the Cooperative's Policy Manual.

MISCELLANEOUS CHARGES

| <u>DESCRIPTION OF FEE</u> | <u>FEE</u> |
|--|--|
| Reconnection Fee During Regular Service Hours | \$ 70.00 |
| Re-establishment Fee During Regular Service Hours | \$ 90.00 |
| Relocation or Upgrade of Service Facility Requiring Two (2) Trips to Service Location During Regular Service Hours | \$ 50.00 |
| Relocation of Service Wires and Meter for Temporary to Permanent Location during Regular Service Hours | \$ 75.00 |
| Service Calls Due to Failure of Customer Equipment or Customer Negligence and After Regular Service Hours | Actual Labor, Material, Equipment & Administrative Costs as Established by Cooperative Plus Average Cost Per Mile |
| Establishment Fee | \$ 50.00 |
| Service Fee for Each Additional Service or Location | \$ 25.00 |
| Service Connection Callbacks | \$ 25.00 |
| Service Violation Fee (First Violation) | \$ 100.00 |
| Service Violation Fee (Additional Violations) | \$ 150.00 |
| Special Meter Readings (Check Readings) | \$ 25.00 |
| NSF Fee | \$ 30.00 |
| Late Payment Interest Fee | 1.5% |
| Field Collection re Delinquent Accounts | \$ 25.00 |
| Meter Test Fee | \$ 50.00 |
| Temporary and Doubtful Permanency Service | Estimated Labor, Material, Equipment & Administrative Costs as Established by Cooperative Plus Average Cost Per Mile |

NAVOPACHE ELECTRIC COOPERATIVE, INC.
Lakeside, Arizona

DIRECT ACCESS TARIFF

SCHEDULE NO. 1-A
RESIDENTIAL, SCHOOLS, CHURCHES, AND COMMUNITY HALLS

Effective: For electrical usage beginning on or about ____ 1, 2012 and billed beginning with the ____ 1, 2012 cycle billings.

Availability

Available to residential and farm consumers, and to schools, churches, and community halls within the Cooperative's certificated area requiring single-phase service where facilities of the Cooperative are of adequate capacity and are adjacent to premises, where customer has established contractual arrangements with another energy service provider for provision of generation, transmission, ancillary, and other power supply-related services. This service is subject to the Cooperative's rules and regulations.

Applicability

To all single-phase residential, school, church, and community hall electric service to individual locations and individually metered apartments and for non-seasonal farm use when all service is supplied at one point of delivery and energy is metered through one meter.

Not applicable for resale, breakdown, standby or auxiliary service.

Type of Service

Single-phase, 60 cycles, nominal 120/240 volts, 3 wire, and limited to individual motors of 10 HP or less that will not cause excessive voltage fluctuations, supplied through one set of service wires and metered through one meter.

Monthly Rate

| STANDARD RATE | Distribution Charges | | | | |
|-------------------------------------|----------------------|------------------|---------|-----------|-----------|
| | Metering | Meter Reading | Billing | Access | Total |
| Customer Charge (\$/Customer/Mo) | \$1.72 | \$2.68 | \$11.24 | \$23.25 | \$23.25 |
| Energy Charge (\$/kWh) | | | | | |
| 1-400 kWh | | | | \$0.01900 | \$0.01900 |
| Over 500 kWh | | | | \$0.02900 | \$0.02900 |

Minimum Charge

The minimum monthly charge shall be the Customer Charge. The minimum does not include power cost adjustment. Where it is necessary to extend or reinforce existing distribution facilities, the minimum monthly charge may be increased to assure adequate compensation for the added facilities. Where the minimum charge is increased in accordance with the terms of this section, additional energy shall be included in accordance with the foregoing schedule.

NAVOPACHE ELECTRIC COOPERATIVE, INC.
Lakeside, Arizona

DIRECT ACCESS TARIFF

SCHEDULE NO. 1-A
RESIDENTIAL, SCHOOLS, CHURCHES, AND COMMUNITY HALLS

Tax Adjustment

The applicable sales tax in Arizona will be added to bills where required.

The Cooperative is authorized to pass on to the consumers the applicable proportionate part of any taxes or government impositions, which are or may in the future be assessed on the basis of the gross revenues of the Cooperative.

Meter Readings

All meter readings and billings shall be based on actual meter readings. Meter readings and billings will be made as closely as practical on the same day each month on a cycle basis.

Terms of Payment

Billing made under this schedule will be due and payable upon receipt and past due fifteen (15) days from the date the bill is mailed. Service will be subject to disconnect in accordance with the Cooperative's collection policy.

Demand Side Management Program (DSMP) Adder

The utility shall add to its bill a demand side management program adder of \$0.0005 per kWh to help offset the costs associated with Navopache programs designed to promote load management and approved by Staff of the Arizona Corporation Commission. The amount of the adder shall be recomputed annually based upon reports submitted to the Commission by Navopache. Other charges may be applicable subject to approval by the Arizona Corporation Commission. In the event Navopache's DSMP is cancelled, the DSMP adder shall continue to be collected and the funds allocated to Renewable Energy uses.

Renewable Energy Standard (RES) Adder

The utility shall add to its bill an RES adder in the amount set forth in its separate Renewable Energy Standard tariff. Other charges may be applicable subject to approval by the Arizona Corporation Commission

NAVOPACHE ELECTRIC COOPERATIVE, INC.
Lakeside, Arizona

DIRECT ACCESS TARIFF

SCHEDULE NO. 2-A
COMMERCIAL AND INDUSTRIAL SERVICE – ABOVE 50 KVA

Effective: For electrical usage beginning on or about ____ 1, 2012 and billed beginning with the ____ 1, 2012 cycle billings.

Availability

Available to consumers within the Cooperative's certificated area, single- or three-phase, who require more than 50 kVA of transformer capacity where facilities of the Cooperative are of adequate capacity and are adjacent to premises, where customer has established contractual arrangements with another energy service provider for provision of generation, transmission, ancillary, and other power supply-related services. This service is subject to the Cooperative's rules and regulations.

Type of Service

Single- or three-phase, over 50 kVA transformer capacity, alternating current, 60 cycles, at available secondary or primary voltages.

Monthly Rate

| STANDARD RATE | Distribution Charges | | | | |
|---|----------------------|------------------|---------|---------|----------|
| | Metering | Meter Reading | Billing | Access | Total |
| Customer Charge (\$/Customer/Mo) | | | | | |
| Secondary | \$18.40 | \$3.18 | \$11.42 | \$87.00 | \$120.00 |
| Primary | \$142.4 | \$3.18 | \$11.42 | \$87.00 | \$244.00 |
| Billing Demand Charge (\$/kW of Billing Demand) | | | | \$7.25 | \$7.25 |

Determination of Billing Demand

The Billing Demand shall be the maximum kilowatt demand established by the consumer for any fifteen (15) consecutive minutes during the month. Billing Demand shall be adjusted for power factor as provided below.

Power Factor Adjustment

The consumer agrees to maintain unity power factor as nearly as practical. The Cooperative may install power factor metering devices at its discretion. Demand charges will be adjusted for consumers with 50 kW or more of measured demand to correct for power factors during any period of fifteen consecutive minutes is lower than 90%, and may be so adjusted for other consumers if and when the Seller deems necessary. Such adjustments will be made by increasing the measured demand 1% for each 1% by which the power factor during any period of fifteen consecutive minutes is less than 90% lagging.

NAVOPACHE ELECTRIC COOPERATIVE, INC.
Lakeside, Arizona

DIRECT ACCESS TARIFF

SCHEDULE NO. 2-A
COMMERCIAL AND INDUSTRIAL SERVICE – ABOVE 50 KVA

Minimum Monthly Charge

The minimum monthly charge shall be the higher of the following charges as determined for the consumer in question:

- (1) The minimum monthly charge specified in the contract for service; or
- (2) A charge of \$1.75 per kVA of installed transformer capacity.

Note: Minimum does not include power cost adjustment.

Delivery of Primary Service

When a customer taking service at voltage of 14,400 and above and in excess of 750 kVA, furnishes his own transformer and substation equipment, and receives delivery of electricity at primary voltage metering, a discount of 3% shall be allowed on monthly bills for primary metering. The 3% discount will not be allowed on the purchased power cost adjustment that is shown separately on this bill.

The Cooperative shall have the right to approve of transformers and substation equipment furnished by the consumer under this type of service.

Tax Adjustment

The Cooperative is authorized to collect and pass on, by adding to the bill to the consumer, the applicable proportionate part of any taxes or government impositions which are or may in the future be assessed on the basis of the gross revenues of the Cooperative and/or the price or revenue from the electric energy or service sold and/or the volume of energy purchased for sale and/or sold hereunder.

Purchased Power Cost Adjustment

The Cooperative shall, if purchased power cost is increased or decreased above or below the base purchased power cost of \$0.066160 per kWh sold, flow through such increases or decreases to all classes of consumers.

Meter Readings

All meter readings and billings shall be based on actual meter readings, except due to meter failure or the inability to obtain an actual reading (e.g., inclement weather) when a reasonable estimate of the amount of energy and/or billing demand shall be made by the Cooperative. Meter readings and billings will be made as closely as practical on the same day each month on a cycle basis.

Terms of Payment

Billing made under this schedule will be due and payable upon receipt and past due fifteen (15) days from the date the bill is mailed. Service will be subject to disconnect in accordance with the Cooperative's collection policy.

Demand Side Management Program (DSMP) Adder

The Cooperative shall add to its bill a demand side management program adder of \$0.0005 per kWh to help offset the costs associated with Navopache programs designed to promote load management and approved by Staff of the Arizona Corporation Commission. The amount of the adder shall be recomputed annually based upon reports submitted to the Commission by Navopache. Other charges may be applicable subject to approval by the Arizona Corporation Commission. In the event Navopache's

NAVOPACHE ELECTRIC COOPERATIVE, INC.
Lakeside, Arizona

DIRECT ACCESS TARIFF

SCHEDULE NO. 2-A
COMMERCIAL AND INDUSTRIAL SERVICE – ABOVE 50 KVA

DSMP is cancelled, the DSMP adder shall continue to be collected and the funds allocated to environmental portfolio uses.

Renewable Energy Standard (RES) Adder

The Cooperative shall add to its bill an RES adder in the amount set forth in its separate Renewable Energy Standard tariff. Other charges may be applicable subject to approval by the Arizona Corporation Commission.

Other Charges

Other charges may be applicable subject to approval by the Arizona Corporation Commission.

NAVOPACHE ELECTRIC COOPERATIVE, INC.
Lakeside, Arizona

DIRECT ACCESS TARIFF

SCHEDULE NO. 3-A
SMALL COMMERCIAL

Effective: For electrical usage beginning on or about ____ 1, 2012 and billed beginning with the ____ 1, 2012 cycle billings.

Availability

Available and applicable to all consumers within the Cooperative's certificated area who require 50 kVA or less of transformer capacity for single- and/or three-phase service for commercial lighting, small power, and other commercial or business uses, where facilities of the Cooperative are of adequate capacity and are adjacent to premises, where customer has established contractual arrangements with another energy service provider for provision of generation, transmission, ancillary, and other power supply-related services. This service is subject to the Cooperative's rules and regulations.

Applicability

This schedule is applicable for commercial use which includes service used by retail or wholesale businesses, small manufacturing or processing establishments, tourist or trailer camps, motels, stores, restaurants, service stations, professional offices, and three-phase service to residential, public buildings, churches, and apartments where more than one unit is served from an individual meter and all other uses not ordinarily considered as normal residential or home use. Except in cases of master metered mobile home parts, service under this schedule shall not be resold or shared with others.

Type of Service

Single- or three-phase, 60 cycles, at available secondary voltages. Motors having a rated capacity in excess of 10 horsepower must be three-phase.

Monthly Rate

| STANDARD RATE | Distribution Charges | | | | |
|-------------------------------------|----------------------|------------------|---------|-----------|-----------|
| | Metering | Meter Reading | Billing | Access | Total |
| Customer Charge (\$/Customer/Mo) | \$2.87 | \$2.62 | \$7.61 | \$19.65 | \$32.75 |
| Energy Charge (\$/kWh) | | | | \$0.02620 | \$0.02620 |

Minimum Monthly Charge

The minimum monthly charge under the above rate shall be the customer charge, where 10 kVA or less of transformer capacity is required. For consumers requiring more than 10 kVA of transformer capacity, the minimum monthly charge shall be increased by \$1.75 per each additional kVA or fraction thereof required. Where it is necessary to extend or reinforce existing distribution facilities, the minimum monthly charge may be increased in accordance with the terms of this section, additional energy shall be included in accordance with the foregoing rate schedule.

NAVOPACHE ELECTRIC COOPERATIVE, INC.

Lakeside, Arizona

DIRECT ACCESS TARIFF

**SCHEDULE NO. 3-A
SMALL COMMERCIAL**

Tax Adjustment

The Cooperative is authorized to collect and pass on, by adding to the bill to the consumer, the applicable proportionate part of any taxes or government impositions which are or may in the future be assessed on the basis of the gross revenues of the Cooperative and/or the price or revenue from the electric energy or service sold and/or the volume of energy purchased for sale and/or sold hereunder.

Purchased Power Cost Adjustment

The Cooperative shall, if purchased power cost is increased or decreased above or below the base purchased power cost of \$0.066160 per kWh sold, flow through such increases or decreases to all classes of consumers.

Meter Readings

All meter readings and billings shall be based on actual meter readings, except due to meter failure or the inability to obtain an actual reading (e.g., inclement weather) when a reasonable estimate of the amount of energy and/or billing demand shall be made by the Cooperative. Meter readings and billings will be made as closely as practical on the same day each month on a cycle basis.

Terms of Payment

Billing made under this schedule will be due and payable upon receipt and past due fifteen (15) days from the date the bill is mailed. Service will be subject to disconnect in accordance with the Cooperative's collection policy.

Demand Side Management Program (DSMP) Adder

The Cooperative shall add to its bill a demand side management program adder of \$0.0005 per kWh to help offset the costs associated with Navopache programs designed to promote load management and approved by Staff of the Arizona Corporation Commission. The amount of the adder shall be recomputed annually based upon reports submitted to the Commission by Navopache. Other charges may be applicable subject to approval by the Arizona Corporation Commission. In the event Navopache's DSMP is cancelled, the DSMP adder shall continue to be collected and the funds allocated to environmental portfolio uses.

Renewable Energy Standard (RES) Adder

The Cooperative shall add to its bill an RES adder in the amount set forth in its separate Renewable Energy Standard tariff. Other charges may be applicable subject to approval by the Arizona Corporation Commission.

Other Charges

Other charges may be applicable subject to approval by the Arizona Corporation Commission.

NAVOPACHE ELECTRIC COOPERATIVE, INC.
Lakeside, Arizona

DIRECT ACCESS TARIFF

SCHEDULE NO. 4-A
IRRIGATION AND WATER PUMPING SERVICE

Effective: For electrical usage beginning on or about ____ 1, 2012 and billed beginning with the ____ 1, 2012 cycle billings.

Availability

Available to consumers within the Cooperative's certificated area for service to irrigation pumps and any other water pumping loads requiring less than 300 kVA of transformer capacity where facilities of the Cooperative are of adequate capacity and are adjacent to premises, where customer has established contractual arrangements with another energy service provider for provision of generation, transmission, ancillary, and other power supply-related services. This rate is not available to loads served by primary metering. This service is subject to the Cooperative's rules and regulations.

Type of Service

Single- or three-phase, 60 cycle alternating current. At the discretion of the Cooperative, single-phase service may be furnished, provided the motor capacity is not in excess of ten horsepower (10 HP).

Monthly Rate

| STANDARD RATE | Distribution Charges | | | | |
|-------------------------------------|----------------------|------------------|---------|-----------|-----------|
| | Metering | Meter Reading | Billing | Access | Total |
| Customer Charge (\$/Customer/Mo) | \$5.36 | \$2.62 | \$7.61 | \$26.41 | \$42.00 |
| Demand Charge (\$/kW/Month) | | | | | |
| Energy Charge (\$/kWh) | | | | \$0.03930 | \$0.03930 |

Minimum Charge

The minimum monthly charge shall be the higher of the following charges as determined for the consumer in question:

- (1) The minimum monthly charge specified in the contract for service, or
- (2) A charge of \$1.75 per kVA of installed transformer capacity.

Determination of Billing Demand

The Billing Demand shall be the maximum kilowatt demand established by the consumer for any fifteen (15) consecutive minutes during the month. Billing Demand shall be adjusted for power factor as provided below.

Power Factor Adjustment

The consumer agrees to maintain unity power factor as nearly as practical. The Cooperative may install power factor metering devices at its discretion. Demand charges will be adjusted for consumers with 50 kW or more of measured demand to correct for power factors during any period of fifteen consecutive minutes is lower than 90%, and may be so adjusted for other consumers if and when the

NAVOPACHE ELECTRIC COOPERATIVE, INC.
Lakeside, Arizona

DIRECT ACCESS TARIFF

SCHEDULE NO. 4-A
IRRIGATION AND WATER PUMPING SERVICE

Seller deems necessary. Such adjustments will be made by increasing the measured demand 1% for each 1% by which the power factor during any period of fifteen consecutive minutes is less than 90% lagging.

Tax Adjustment

The Cooperative is authorized to collect and pass on, by adding to the bill to the consumer, the applicable proportionate part of any taxes or government impositions which are or may in the future be assessed on the basis of the gross revenues of the Cooperative and/or the price or revenue from the electric energy or service sold and/or the volume of energy purchased for sale and/or sold hereunder.

Purchased Power Cost Adjustment

The Cooperative shall, if purchased power cost is increased or decreased above or below the base purchased power cost of \$0.066160 per kWh sold, flow through such increases or decreases to all classes of consumers.

Meter Readings

All meter readings and billings shall be based on actual meter readings, except due to meter failure or the inability to obtain an actual reading (e.g., inclement weather) when a reasonable estimate of the amount of energy and/or billing demand shall be made by the Cooperative. Meter readings and billings will be made as closely as practical on the same day each month on a cycle basis.

Terms of Payment

Billing made under this schedule will be due and payable upon receipt and past due fifteen (15) days from the date the bill is mailed. Service will be subject to disconnect in accordance with the Cooperative's collection policy.

Demand Side Management Program (DSMP) Adder

The Cooperative shall add to its bill a demand side management program adder of \$0.0005 per kWh to help offset the costs associated with Navopache programs designed to promote load management and approved by Staff of the Arizona Corporation Commission. The amount of the adder shall be recomputed annually based upon reports submitted to the Commission by Navopache. Other charges may be applicable subject to approval by the Arizona Corporation Commission. In the event Navopache's DSMP is cancelled, the DSMP adder shall continue to be collected and the funds allocated to environmental portfolio uses.

Renewable Energy Standard (RES) Adder

The Cooperative shall add to its bill an RES adder in the amount set forth in its separate Renewable Energy Standard tariff. Other charges may be applicable subject to approval by the Arizona Corporation Commission.

Other Charges

Other charges may be applicable subject to approval by the Arizona Corporation Commission.

NAVOPACHE ELECTRIC COOPERATIVE, INC.
Lakeside, Arizona

DIRECT ACCESS TARIFF

SCHEDULE NO. 5-A
SECURITY LIGHTS

Effective: For electrical usage beginning on or about ____ 1, 2012 and billed beginning with the ____ 1, 2012 cycle billings.

Availability

Available to all consumers within the Cooperative's certificated area for security lighting uses, where facilities of the Cooperative are of adequate capacity and are adjacent to premises, where customer has established contractual arrangements with another energy service provider for provision of generation, transmission, ancillary, and other power supply-related services. This service is subject to the Cooperative's rules and regulations.

Type of Service

Single-phase, 120/240 volts, 60 cycle alternating current.

Application

The Cooperative will construct, maintain, and operate all security lights, except in existing instances where the consumer owns the light, in which case the consumer shall be responsible for operation and maintenance of same.

Lamps will be controlled by timing devices or photoelectric units to provide service from dusk to dawn.

Monthly Rate

The monthly rate shall be as follows, based on estimated average monthly usage for unmetered lights:

| Consumer Owned | Distribution | | |
|-----------------------------|--------------|--------|--------|
| | Billing | Access | Total |
| 175 Watt MVL 75 kWh | \$0.22 | \$4.00 | \$4.22 |
| 250 Watt MVL 110 kWh | \$0.33 | \$4.39 | \$4.72 |
| 400 Watt MVL 175 kWh | \$0.52 | \$7.51 | \$8.03 |
| 100 Watt HPS 34 kWh | \$0.10 | \$3.48 | \$3.58 |
| 150 Watt HPS 50 kWh | \$0.15 | \$4.80 | \$4.95 |
| 250 Watt HPS 85 kWh | \$0.25 | \$4.15 | \$5.40 |
| Pole Charge (if applicable) | | \$4.00 | \$4.00 |

NAVOPACHE ELECTRIC COOPERATIVE, INC.
Lakeside, Arizona

DIRECT ACCESS TARIFF

SCHEDULE NO. 5-A
SECURITY LIGHTS

| Cooperative Owned | Distribution | | |
|-----------------------------|--------------|---------|---------|
| | Billing | Access | Total |
| 175 Watt MVL 75 kWh | \$0.22 | \$5.78 | \$6.00 |
| 250 Watt MVL 110 kWh | \$0.33 | \$6.80 | \$7.13 |
| 400 Watt MVL 175 kWh | \$0.52 | \$11.18 | \$11.70 |
| 100 Watt HPS 34 kWh | \$0.10 | \$6.53 | \$6.63 |
| 150 Watt HPS 50 kWh | \$0.15 | \$7.85 | \$8.00 |
| 250 Watt HPS 85 kWh | \$0.25 | \$8.20 | \$8.45 |
| Pole Charge (if applicable) | | \$4.00 | \$4.00 |

Tax Adjustment

The Cooperative is authorized to collect and pass on, by adding to the bill to the consumer, the applicable proportionate part of any taxes or government impositions which are or may in the future be assessed on the basis of the gross revenues of the Cooperative and/or the price or revenue from the electric energy or service sold and/or the volume of energy purchased for sale and/or sold hereunder.

Purchased Power Cost Adjustment

The Cooperative shall, if purchased power cost is increased or decreased above or below the base purchased power cost of \$0.066160 per kWh sold, flow through such increases or decreases to all classes of consumers.

Meter Readings

All meter readings and billings shall be based on actual meter readings, except due to meter failure or the inability to obtain an actual reading (e.g., inclement weather) when a reasonable estimate of the amount of energy and/or billing demand shall be made by the Cooperative. Meter readings and billings will be made as closely as practical on the same day each month on a cycle basis.

Terms of Payment

Billing made under this schedule will be due and payable upon receipt and past due fifteen (15) days from the date the bill is mailed. Service will be subject to disconnect in accordance with the Cooperative's collection policy.

Demand Side Management Program (DSMP) Adder

The Cooperative shall add to its bill a demand side management program adder of \$0.0005 per kWh to help offset the costs associated with Navopache programs designed to promote load management

NAVOPACHE ELECTRIC COOPERATIVE, INC.
Lakeside, Arizona

DIRECT ACCESS TARIFF

SCHEDULE NO. 5-A
SECURITY LIGHTS

and approved by Staff of the Arizona Corporation Commission. The amount of the adder shall be recomputed annually based upon reports submitted to the Commission by Navopache. Other charges may be applicable subject to approval by the Arizona Corporation Commission. In the event Navopache's DSMP is cancelled, the DSMP adder shall continue to be collected and the funds allocated to environmental portfolio uses.

Renewable Energy Standard (RES) Adder

The Cooperative shall add to its bill an RES adder in the amount set forth in its separate Renewable Energy Standard tariff. Other charges may be applicable subject to approval by the Arizona Corporation Commission.

Other Charges

Other charges may be applicable subject to approval by the Arizona Corporation Commission.

NAVOPACHE ELECTRIC COOPERATIVE, INC.
Lakeside, Arizona

DIRECT ACCESS TARIFF

SCHEDULE NO. 6-A
STREET LIGHTING SERVICE

Effective: For electrical usage beginning on or about ____ 1, 2012 and billed beginning with the ____ 1, 2012 cycle billings.

Availability

Available to municipal corporations and other organizations within the Cooperative's certificated area qualifying for street lighting service, where facilities of the Cooperative are of adequate capacity and are adjacent to premises, where customer has established contractual arrangements with another energy service provider for provision of generation, transmission, ancillary, and other power supply-related services. This service is subject to the Cooperative's rules and regulations.

Type of Service

Single-phase, 120/240 volts, 60 cycle alternating current.

Application

The consumer shall construct, maintain and operate the system.

Lamps to be controlled by timing devices or photoelectric units to provide for service from dusk until dawn.

Monthly Rate

The monthly rate shall be as follows, based on estimated average monthly usage for unmetered lights:

| Street Lighting Service | Distribution | | |
|-------------------------|--------------|---------|---------|
| | Billing | Access | Total |
| 175 Watt Lamp 75 kWh | \$0.22 | \$5.78 | \$6.00 |
| 250 Watt Lamp 110 kWh | \$0.32 | \$5.82 | \$6.14 |
| 400 Watt Lamp 175 kWh | \$0.52 | \$11.18 | \$11.70 |
| 1000 Watt Lamp 435 kWh | \$1.29 | \$12.98 | \$14.27 |
| 100 Watt Sodium 34 kWh | \$0.10 | \$3.48 | \$3.58 |
| 150 Watt Sodium 50 kWh | \$0.15 | \$4.80 | \$4.95 |
| 250 Watt Sodium 85 kWh | \$0.25 | \$5.15 | \$5.40 |

Tax Adjustment

The Cooperative is authorized to collect and pass on, by adding to the bill to the consumer, the applicable proportionate part of any taxes or government impositions which are or may in the future be

NAVOPACHE ELECTRIC COOPERATIVE, INC.
Lakeside, Arizona

DIRECT ACCESS TARIFF

SCHEDULE NO. 6-A
STREET LIGHTING SERVICE

assessed on the basis of the gross revenues of the Cooperative and/or the price or revenue from the electric energy or service sold and/or the volume of energy purchased for sale and/or sold hereunder.

Purchased Power Cost Adjustment

The Cooperative shall, if purchased power cost is increased or decreased above or below the base purchased power cost of \$0.066160 per kWh sold, flow through such increases or decreases to all classes of consumers.

Meter Readings

All meter readings and billings shall be based on actual meter readings, except due to meter failure or the inability to obtain an actual reading (e.g., inclement weather) when a reasonable estimate of the amount of energy and/or billing demand shall be made by the Cooperative. Meter readings and billings will be made as closely as practical on the same day each month on a cycle basis.

Terms of Payment

Billing made under this schedule will be due and payable upon receipt and past due fifteen (15) days from the date the bill is mailed. Service will be subject to disconnect in accordance with the Cooperative's collection policy.

Demand Side Management Program (DSMP) Adder

The Cooperative shall add to its bill a demand side management program adder of \$0.0005 per kWh to help offset the costs associated with Navopache programs designed to promote load management and approved by Staff of the Arizona Corporation Commission. The amount of the adder shall be recomputed annually based upon reports submitted to the Commission by Navopache. Other charges may be applicable subject to approval by the Arizona Corporation Commission. In the event Navopache's DSMP is cancelled, the DSMP adder shall continue to be collected and the funds allocated to environmental portfolio uses.

Renewable Energy Standard (RES) Adder

The Cooperative shall add to its bill an RES adder in the amount set forth in its separate Renewable Energy Standard tariff. Other charges may be applicable subject to approval by the Arizona Corporation Commission.

Other Charges

Other charges may be applicable subject to approval by the Arizona Corporation Commission.